

FINANCIAL TIMES

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D 8523 B

The case for full
British role
in the EMS, Page 5

World news

Business summary

US envoys in Moscow 'tracked by chemicals'

The U.S. accused Moscow of using chemicals that might cause cancer to track the movements of American diplomats in the Soviet capital.

Miners reject offer

South African miners rejected a fresh offer by the Chamber of Mines in talks to avert a threatened strike due to begin on Sunday.

Colombian reshuffle

Colombian President Betancur replaced three of his 13 Cabinet ministers in a reshuffle, giving a leading trade unionist the Labour portfolio.

Beirut shelled

Hundreds of shells fell on Beirut, killing at least 10 people and destroying an airliner on the ground at the airport.

Red Cross man freed

The Swiss head of the International Red Cross mission in the southern Lebanese city of Sidon was freed after being held by unidentified gunmen for about 36 hours.

'Third spy' hunt

West German investigators said they were hunting a third suspect - a messenger in an army administrative centre in Bonn - following the disappearance of two secretaries believed to have been East German agents.

Greek fires reward

The Greek Government is offering rewards of up to 30m drachmas (\$230,000) for help in arresting arsonists who it believes caused an 11-day wave of forest fires.

Blast kills miners

Eight miners were killed and 30 injured in an underground explosion at South Africa's Vaal Reef gold mine, the world's largest.

Manila alert

Thousands of Filipinos waving flags and banners marched through Manila as troops went on full alert for demonstrations marking the second anniversary of the murder of opposition leader Benigno Aquino.

Sri Lanka inquiry

Sri Lankan President Junius Jayewardene ordered an inquiry into charges, denied by the Government, that security forces killed more than 100 Tamils in Vavuniya district in the north. Four soldiers died when separatist Tamil rebels set off a landmine under their vehicle.

Anti-apartheid call

The World Conference of Mayors urged its 700 members in 26 countries to fight apartheid by prohibiting the investment of city funds in corporations doing business with South Africa.

Nobel record

The International Scout movement, President Ronald Reagan and New Zealand Prime Minister David Lange are among a record number of 99 nominations for the 1985 Nobel Peace Prize.

Wine sweetener fined

Werner Tyrell, former president of the West German Winegrowers' Association, was given a one-year suspended prison sentence and fined DM 160,000 (\$53,000) for illegally sweetening his wine with sugar.

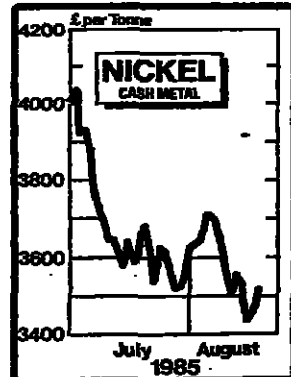
AT&T to cut 24,000 jobs

AT&T, the U.S. telecommunications group set up when the former nationwide telephone company was split up 18 months ago, announced it would cut 24,000 jobs at its information systems group, which makes communications equipment.

WALL STREET: At 2m the Dow Jones industrial average was 2,880 higher at 1,326.50. Page 34

TOKYO: Prices improved in active trading. The Nikkei-Dow market average gained 70.76 to 12,704.81. Page 34

LONDON: equities rallied to close at around the day's best. Gilt was quiet. The FT Ordinary share index added 6.0 to 983.2. Page 34



NICKEL values surged in London on news of a strike at Falconbridge's mining operation at Sudbury, Ontario. Profit-taking pared the gains, but the cash price was still \$45.50 higher at the unofficial close at \$4,921 per tonne. Page 26

DOLLAR was weaker in London, falling to DM 2.7655 (DM 2.7775), FF 8.4475 (FF 8.4535), SwFr 2.2605 (SwFr 2.2705) and Y236.95 (Y237.3). On Bank of England figures the dollar's exchange index fell to 136.5 from 136.7. Page 27

STERLING gained 35 points against the dollar in quiet London trading, closing at 136.5. It fell, however, to DM 3.85 (DM 3.86), FF 11.75 (FF 11.76), SwFr 3.155 (SwFr 3.159) and Y328.75 (Y328.75). The pound's exchange rate index fell 0.1 to 81.7. Page 27

GOLD rose just 50 cents on the London bullion market to \$335.25. It also rose in Zurich to \$336.05. Page 28

SWITZERLAND's current account surplus reached a new high last year at SwFr 8.9bn (\$3.9bn). The previous record was SwFr 8.4bn in 1976. Page 3

BRAZIL's main creditor banks agreed to give it further breathing space until January 17 to allow for completion of crucial negotiations with the IMF. Page 14

SUNDSVALLSBANKEN and Upplandsbanken, two of Sweden's leading regional banks, are expected to announce merger plans. Page 15

BASF and Hoechst, two of the big three West German chemical groups, reported higher profits for the first half of the year and forecast good trading conditions for the rest of 1985. Page 14 and Lex

MONTEDISON is seeking to have a 2 per cent stake recently purchased in the Italian chemicals group by IRI Invest, the financial and property group, declared illegal. Page 15

VICKERS, UK engineering and car group with a growing medical and scientific division, is to acquire Tecon Corp, U.S.-based maker and distributor of medical equipment, for about \$15.8m cash. Page 18

AGA, the Swedish industrial gas group, boosted earnings by 64 per cent during the first six months of the year. Page 15

PETRO-CANADA, the Canadian state-owned energy producer, has written down C\$486m (U.S.\$362.7m) from exploration assets in the Arctic and other remote areas. Page 15

HONGKONG and Shanghai Banking Corporation won the right to open the first foreign banking operation in China since the revolution in 1949. Page 15

Benazir Bhutto keeps alight the family flame

ONE OF THE largest crowds seen in Pakistan since President Zia ul-Haq seized power in 1977 gathered yesterday in the southern town of Larkana for the return to the country of the daughter of the ousted, and subsequently executed, President Zulfikar Ali Bhutto and the funeral of his son, writes John Elliott in Larkana, Pakistan.

About 100,000 people, including many anti-Government activists, attended the emotional but peaceful funeral of 26-year-old Shah Nawaz Bhutto, who died in Cannes, southern France.

Afterwards Miss Benazir Bhutto, speaking at her family home in Larkana, recommended herself to her role as a leading opposition politician in Pakistan. She is the leader

of Pakistan's major outlawed political party.

But President Zia skillfully avoided any confrontation yesterday. He removed all armed forces and police, apart from a handful of traffic controllers, from the streets of Larkana, having first stopped many leading politicians from entering the area.

"I am more committed than ever before - there have been too many sacrifices," said Miss Bhutto, after bidding an emotional and tearful farewell to her brother's body on the steps of her home, where her father lived before his arrest and execution by the current Government.

The body of Shah Nawaz Bhutto was brought by Miss Bhutto and other relatives and friends from France via Zurich yesterday to Pa-

kistan's southern capital of Karachi, and then by air to Moenjodaro. The body then travelled by road to Larkana, the seat of the Bhuttos, who, despite their left-wing politics, are one of the rich and powerful feudal families that rule this flat rice-growing Indus basin, in the southern Pakistan province of Sind.

Crowds assembled round the large Bhutto house and several hundred women chanted and wept inside the grounds. When the body left Miss Bhutto made her first semi-public appearance standing on the porch dressed in black with red-framed sunglasses shaking and weeping as the body was taken away for an all-male burial ceremony in the Bhutto family graveyard a few miles away.

She refused to be drawn further

on whether she intends to stay in Pakistan and face the risk of arrest by actively taking up her job as chairman of the Pakistan People's Party (PPP). There were too many "unpredictables" at present, including whether she was to be arrested or even whether she was free to leave the country.

Her closest aides expect her to speak out against the Zia regime, although others assume she will leave to avoid a repetition of the house arrest she suffered from 1981 to the beginning of last year.

She added that she would say more after the initial three days of mourning that follow a Muslim burial.

Mr Shah Mahmood Pashar Khuro, Interior Minister of the southern Pakistan province of Sind where

Larkana is located, indicated yesterday that she was free to hold political gatherings inside her house. But if she started agitating against the Government, then "any government would arrest her."

Miss Bhutto 32, has yet to prove herself as a capable working politician able to manage the divided PPP and to liaise with other sympathetic politicians.

Some people suggest that even if there was full parliamentary democracy in Pakistan, she still might not become Prime Minister for many years because this male-dominated, basically Moslem country, might not accept a young and unmarried woman for such a post.

But PPP supporters in Larkana

Continued on Page 14

Laker's \$8m deal clears way for sale of BA

BY DUNCAN CAMPBELL-SMITH IN LONDON

SIR FREDDIE Laker has accepted the \$8m offer to him by international airlines in connection with the affairs of Laker Airways. The decision, announced yesterday, should finally free British Airways from the uncertainties of expensive U.S. litigation which have dogged its privatisation prospects for nearly three years.

It should also signal an end to the epic legal battle over anti-trust allegations against air carriers on the north Atlantic routes. In exchange for the money, Sir Freddie is abandoning all personal claims against the airlines in connection either with the affairs of Laker Airways, which collapsed in February 1982, or with any subsequent events.

Sir Freddie has consistently repeated allegations since then - still emphatically by the airlines - that his company was destroyed by an illicit conspiracy between his U.S. and European competitors.

His formal undertaking to abandon this position was signed in BA's London head office late on Tuesday night. The British Government's proposed sale of BA, delayed many times since last summer, could possibly now be scheduled for early next year.

Sir Freddie's commitment will also be binding on Laker, the trading conglomerate with which he set up two joint ventures in 1982 after his airline had gone into liquidation. BA said in a statement last night that Sir Freddie had been authorised by Laker to sign on its behalf as well as his own.

The airline's statement appeared to take Laker's role as a partner in the money, Sir Freddie Laker always took into account that neither party would do anything to damage the other," said Mr Paul Spicer, a Laker director. "Laker has never sought to delay BA's privatisation."

Laker indicated last month that it was intending to sue BA and a number of other airlines in the U.S. courts claiming triple damages of \$30m on anti-trust grounds. In the wake of Tuesday's events, Laker will receive no compensation for any alleged malpractices by the airlines.

As recently as Monday, Sir Freddie was citing Laker's role as a critical reason why he regarded the offer of \$8m by the airlines as "totally incapable of acceptance."

But on Monday evening he returned to London from Jersey - where lawyers on Freddie's behalf were asking the courts for more time - and he approached BA on Tuesday, the deadline for the offer.

BA first made it, informally, in mid-January on behalf of itself and 11 other companies caught up in the legal aftermath of Laker Airways' collapse. BA had to spend much of Tuesday contacting the companies - including British Caledonian and Pan American Airways - to check that the offer was still available.

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South African miners reject offer, Page 2; U.S. blacks angry, Page 4

Phibro Salomon to quit S. Africa

By William Hall in New York

PHIBRO-SALOMON, the international investment banking and consulting firm, announced yesterday that it will make an orderly withdrawal from all its remaining business activities in South Africa, including closing its Johannesburg office.

Although Phibro-Salomon's direct investment in South Africa is not believed to be large, the move is significant since the group's biggest shareholder, the Bermuda-based Minerals and Resources Corporation (minicorp), is the international arm of South Africa's giant Anglo American/De Beers group.

Minicorp recently reduced its stake in Phibro-Salomon from 22 per cent to 14.5 per cent and although Phibro-Salomon has always been reluctant to talk about its big South African Shareholder, it has frequently come under attack by critics of South Africa's apartheid regime because of its close links with the company.

Phibro-Salomon consists of Salomon Brothers, the big New York investment bank, and Phibro Brothers, one of the world's biggest commodity traders. The break with South Africa is not expected to have much impact on the group's investment banking business - in fact it could be a positive move - but it could hurt Phibro Brothers' business since 17 trades in many of the commodities in which South Africa is a major producer.

Phibro-Salomon said yesterday that "it imposes no material impact on its business" as a result of its decision to withdraw from South Africa.

South African miners reject offer, Page 2; U.S. blacks angry, Page 4

Mobil refuses Oslo's offer of two oil blocks

BY FAY GJESTER IN OSLO

MOBIL, the U.S. oil group, has refused the licence stakes and role of operator which it was offered on two Norwegian offshore blocks. The move could signal Mobil's eventual withdrawal from Norway's offshore oilfields, where it has played a pioneering role.

Mobil's refusal, which astonished industry observers in Norway, appears to be a protest against its exclusion from block 34/8, the most promising block in Norway's tenth licensing round. Only two foreign companies, Elf and Conoco, received shares in 34/8.

Mobil was instead offered stakes in the other two blocks for which it applied. One of these, 9/3, is regarded by experts as the second most attractive of the eight blocks provisionally awarded in the round.

A spokesman at the Stavanger headquarters of Mobil Exploration Norway said that because of the "high risk" involved in participation in 9/3 and 26/4, the other block which it was offered, the company felt that the total package was not good enough to justify acceptance.

As operator of the Anglo-Norwegian Statfjord field, Mobil has played the pioneering role in Norway's offshore industry. Under a Government decision taken last year the company will hand over operatorship of Statfjord to Statoil, the state oil company, from January 1 1987.

A stake in plumb block 34/8, which could hold even more oil than Statfjord, would have been welcome compensation for its loss of the Statfjord job.

Mr Kåre Kristiansen, Norway's Oil Minister, said he was surprised and disappointed at Mobil's decision. His deputy minister, Mr Arild Redland, said the company might

be invited to meet ministry officials to explain its reasons. He could understand Mobil's disappointment but would not concede that it had been treated "unreasonably."

Industry sources suggest that Mobil in Norway favoured accepting the two blocks offered but was overruled by its U.S. parent. The company has applied for stakes in the second phase of the tenth round, but this bid was filed last Friday, before it refused the two first-phase blocks. In the light of its refusal, the Oil Ministry is unlikely to take Mobil's second-phase applications very seriously.

Two U.S. oil companies, both of which operate producing fields on the Norwegian shelf, did not bother to bid in either the first or the second phase of the round.

The operator role on 9/3 spurned by Mobil may now be offered to Shell, already earmarked for a 20 per cent share of the block. This is the stake Mobil would also have received. This 20 per cent may be shared out among Shell, Tenneco and Statoil, the other prospective partners on the block, or it may be offered to a fourth company. The fate of 26/4, regarded as an unattractive, "high risk" block, is uncertain. Only two other companies - Statoil and Total - were offered stakes on 26/4.

Mr Kåre Willoch, the Prime Minister, meanwhile, has offered to meet representatives of the opposition Labour Party today to discuss its objections to the 34/8 shareout. Labour claims that the proposed state stake in the block - 50 per cent - is too small, in view of the area's high potential. It says the

Continued on Page 14

Bonn 'must end levy on shares'

BY JONATHAN CARR IN FRANKFURT

THE WEST German Bundesbank has stepped up its pressure on the Bonn Government to abolish stock market stamp duty, saying the levy is a growing obstacle to domestic securities trading.

In a speech in Frankfurt yesterday, the central bank's president, Herr Karl Otto Pöhl, said he realised there might be fiscal arguments against abolition.

"But I hope that these will not prevail, since the disadvantages of the tax must be judged far higher than those of its abolition," Herr Pöhl declared.

The Bundesbank president was speaking at a ceremony marking the 400th anniversary of the Frankfurt Stock Exchange - the largest of the eight German bourses.

The stamp duty (Börsenumsatzsteuer) has come under increasing fire because it cuts across Bonn's own expressed aim of creating a more lively German stock market.

But its existence has also brought another anomaly since the Bundesbank permitted, from May this year, the use of new financial instruments including floating rate notes.

Because the notes are subject to the duty, the secondary market has tended to go to London where there is no equivalent levy. Hence the levy is a growing obstacle to domestic securities trading.

Only last week, Dr Gerhard Stoltenberg, the Finance Minister, said that "in principle demands for abolition of the duty were justified. But he could not name a date for its removal."

It is understood that while Dr Stoltenberg would like to see the tax go - it brought in DM 341m (\$123m) last year, or 0.2 per cent of total revenue - he feels the action might open the door to more widespread demands for tax cuts from several sides. These in turn could endanger the budget consolidation on which Dr Stoltenberg puts the highest priority.

In his speech, Herr Pöhl also stressed that the "time is ripe for decisions" on updating the German stock exchange system. Further de-

lay would mean that all German exchanges would suffer, he said.

Herr Pöhl was referring to plans - pressed in particular by Herr Karl-Otto Kasper, president of the Frankfurt exchange - for cutting costs and duplicated effort among the eight bourses.

The issue is particularly delicate because two exchanges, Frankfurt and Düsseldorf, account for around 80 per cent of total stock market turnover (last year DM 234bn). But the smaller exchanges have proud traditions, and often buoyant local business, and are determined to protect their interests in any re-vamping of the system.

Herr Pöhl said regional bourses would continue to exist where they fulfilled an economic need. But the rank of a stock exchange today was determined by the international role it was able to play.

Frankfurt was the outstanding bourse in West Germany's financial markets, Herr Pöhl stressed, and account should be taken of that when decisions on revamping the system were taken.

Stock markets, Page 34

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OVERSEAS NEWS

Death toll grows in Beirut as fighting goes on

BY NORA BOUSTANY IN BEIRUT

THE SOUND of shellfire resounded across the Lebanese capital and its suburbs again yesterday as the Lebanese Army and Druze muslim militia gunners fought pitched battles in the strategic hills overlooking Beirut.

The mysterious car bomb campaign that has left Christian and Muslim civilian centres ravaged by death and carnage appeared to have ceased yesterday but the fighting along demarcation lines reaching out into rural areas continued.

The casualty toll rose mercilessly while, as Christians and Muslims hurried and traded accusations, political leaders pressed for a military showdown. Since Tuesday night at least 37 people have been killed and 166 wounded in the shelling.

The Christian militias (the Lebanese Forces) held the Shi'ite Muslim Amal movement responsible for the eruption of hostilities, the worst this year. Mr Nabih Berri, Amal leader and Justice Minister, hit back saying he would not agree to a ceasefire and summoned his Druze ally, Mr Walid Jumblatt, to cut short a trip to Moscow.

Directing his words at Christian militias and Army units battling Shi'ite and Druze fighters, Mr Berri said they should know "we are capable of a military settlement if that is what they want" and that the positions in the Bekaa Valley and the mountains are ready, and our forces are prepared to advance.

Libya steps up expulsion of overseas workers

BY OUR MIDDLE EAST STAFF

LIBYA is continuing its policy of wholesale deportations of foreign workers with the arbitrary dispatch of workers who came from Niger, Mauritania, and Egypt, as well as well as Tunisia.

The enforced repatriation of foreign labour, in line with Libya's announced policy of reducing the foreign workforce in response to lower oil revenue and reduced development spending, is producing growing complaints of mistreatment.

Egypt yesterday dispatched letters to Mr Javier Perez de Cuellar, UN Secretary-General, and a number of international organisations accusing Libya of violating the rights of its workers who have been expelled. It has asked the International Labour Organisation to send a fact-finding mission to Libya.

Egyptian workers who have been ousted have claimed that

they were forced to leave savings and personal belongings behind.

Yesterday, Niger's Foreign Ministry said that 3,175 of its citizens had been expelled out of a total of 5,000 under orders to leave. They are being transported to the border by road.

Mauretania reported that 530 of its expatriate workers in Libya had been forced to leave recently, including 350 who arrived on an aircraft on Monday night. An estimated 30,000 Mauretanians are working in Libya.

The returning Mauretanians were reported to have complained that they were maltreated and that their property had been confiscated.

Another 30 Libyans were scheduled to leave Tunisia yesterday, in addition to the 253 whose expulsion has been announced by the Tunisian authorities.

Israel plays down murder of diplomat in Cairo

BY WALTER ELLIS IN JERUSALEM

ISRAEL YESTERDAY sought to play down the possible adverse effects on relations with Egypt of Tuesday's murder in Cairo of an Israeli diplomat.

Senior ministers attending a meeting of the inner Cabinet yesterday morning gave the affair top priority. However,

they seemed ready to leave it to the Egyptians to bring the culprit to justice without undue pressure from Israel.

Police yesterday detained an Egyptian whose car is believed to have been used in the killing. Police named the man as Osama Ali and said he was being interrogated.

S. African miners reject fresh offer

By Michael Holman and Jim Jones in Johannesburg

REPRESENTATIVES of South Africa's black National Union of Mineworkers (NUM) and the Chamber of Mines met yesterday for a further round of negotiations in an effort to avert a threatened strike due to begin on Sunday.

The strike, which would be one of the most serious in the country's history, threatens to bring large sections of the country's gold and coal mines to a halt.

A first round of talks ended after the chamber had offered improved fringe benefits, including increased holiday allowances and a shortening of the working fortnight from 100 hours to 96 hours, an NUM spokesman said.

These proposals had been rejected, the talks broken off to allow chamber officials to consult with the country's mining principals. The two sides were due to meet for a further round of negotiations later.

On Monday this week at an earlier round of talks with the Chamber, which represents the country's mining houses, the NUM put forward a modified version of its original claim. It stuck to a call for an across-the-board 22 per cent basic wage increase but reduced its demands for improved conditions of service, including extra holidays. The companies have already unilaterally implemented increases ranging from 14.1 per cent to 19.6 per cent.

Yesterday's talks were regarded by both sides as critical. Observers last night doubted that the Chamber would increase its original wage offer, but felt that it might well propose additional benefits and improved employment conditions which could provide both sides with a face saving compromise.

South Africa's gold mining industry generates about two fifths of the country's export earnings and about one seventh of gross domestic product. Coal is the nation's second most important export commodity and there have been fears that if a strike in the coal industry is called it will be targeted specifically against export coal.

South Africa's coal exporters won valuable export markets as a result of the recent British coal miners' strike.

Unrest continued yesterday in black townships, while police reported over 50 further detentions during the past 24 hours. In Cape Town support appeared to be growing for a consumer boycott of white businesses.

Sri Lankan deaths inquiry

PRESIDENT JAYAWARDENE said yesterday he had ordered an inquiry into charges, denied by the Government, that security forces killed more than 100 Tamils in Sri Lanka's northern Vavuniya district last week. Reuter reports from Colombo.

Mr Jayawardene told the cabinet he had asked the military to investigate immediately under military law because of conflicting reports.

Both the Eelam National Liberation Front (ENLFF), an alliance of four major separatist guerrilla groups, and local residents have reported the killings.

Four soldiers were killed yesterday when guerrillas set off a landmine under their vehicle in the Northerners province.



Murdered Sikh leader Sant Harmand Singh Longowal surrounded by mourners

Thousands mourn murdered Sikh leader

BY K. K. SHARMA IN NEW DELHI

THE BODY of Sant Harmand Singh Longowal, the Sikh politician assassinated for signing the peace agreement on Punjab, was borne in a funeral procession attended by thousands of mourners in a dusty Indian village yesterday.

The funeral, with full state honours and a public cremation, took place at his native village, also named Longowal. The bullet-riddled body of the 57-year-old leader of the moderate Sikh party, the Akali Dal, was wreathed in roses and marigolds and placed on top of a car in a motorcade of 200 vehicles.

Sikh priests from the Golden Temple in Amritsar, stormed last year at the orders of Mrs Indira Gandhi, the late Prime Minister who was herself assassinated by Sikh extremists, prayed over Sant Longowal's body.

Sant Longowal was shot dead on Tuesday by four gunmen, two of whom were arrested, apparently for his part in signing an accord with Mr Rajiv Gandhi, the Prime Minister, aimed at bringing peace to Punjab.

The extremist faction led by Sant Longowal's rival, Mr Joginder Singh, 53-year-old father of the slain extremist Sant Jarnail Singh Bhindranwale, feared a crackdown by the Government and harsh measures against its members.

"False arrests have already been made; more will be arrested," said Mr Sant Singh Khalsa, the fiery secretary of the United Akali Dal party led by Mr Joginder Singh. "The Government has always been harsh and it will now be harsher."

Both Sant Singh and Mr Jagdish Singh Talwandi, who was Sant Longowal's most vociferous critic and staunchest rival, again rejected the Punjab settlement signed by the assassinated leader and Mr Gandhi on July 24. "Longowal had no right to speak on behalf of the Sikhs," they said in Amritsar yesterday.

The extremist faction is now hopeful that the entire Sikh community will unite under its leadership. Although expressing sorrow over the assassination, Mr Sant Singh yesterday described Sant Longowal as a "Government agent."

He pointed out that the Government had ordered two days of mourning and this had never been done before when eminent Sikh leaders had died. "Does this not show that Longowal was acting for the Government?" Mr Sant Singh asked.

He expects all moderates to join his faction eventually, now that the "main obstacle is no longer present to thwart unity moves."

Other independent observers are not so certain. They think that leaders like former Punjab Chief Minister Parkash Singh Badal and Mr Gurmehar Singh Tohra, head of the Sikh temples committee, will stake their claim to lead the moderate faction of the Akali Dal, especially as they had patched up their differences with Sant Longowal hours before he was assassinated.

But all agree that it will take a long time for any new leader to emerge from among the moderates, since no one has sufficient stature or respect to command the allegiance of the majority of the Sikh community.

At best, this means uncertainty for a long time. At worst, it could mean a strengthening of the grip of the extremists over the Akali Dal.

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He pointed out that the Government had ordered two days of mourning and this had never been done before when eminent Sikh leaders had died. "Does this not show that Longowal was acting for the Government?" Mr Sant Singh asked.

He expects all moderates to join his faction eventually, now that the "main obstacle is no longer present to thwart unity moves."

Other independent observers are not so certain. They think that leaders like former Punjab Chief Minister Parkash Singh Badal and Mr Gurmehar Singh Tohra, head of the Sikh temples committee, will stake their claim to lead the moderate faction of the Akali Dal, especially as they had patched up their differences with Sant Longowal hours before he was assassinated.

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Cardinal Sin unleashes bitter attack on Marcos

BY SAMUEL SENOREN IN MANILA

CARDINAL Jaime Sin, archbishop of Manila, yesterday unleashed his most bitter attack yet against the 20-year rule of President Ferdinand Marcos, claiming that efforts towards a reconciliation with his Government had failed.

The 58-year-old Catholic leader assailed the human rights record of Mr Marcos' regime in a homily he gave during a mass marking the second anniversary of the assassination of the popular opposition figure Mr Benigno Aquino.

Tens of thousands of flag-waving Filipinos marched through the streets of Manila demanding an end to Mr Marcos' Government. Organised by radical and moderate groups, protesters ignored a red alert put out by military and police forces which ringed the presidential palace.

In the afternoon the marchers converged on the financial district of Makati and rallied in a park near the presidential palace.

Speakers, led by Mr Aquino's widow, Cory, 52, took turns in attacking Mr Marcos' regime for alleged abuses ranging from graft and corruption to gross violation of human rights.

Two years after Mr Aquino's murder, said Cardinal Sin, there was still no sign of reconciliation with the Government. Those behind the crime remain to this day without a human face, he said.

Mr Aquino's widow has held Mr Marcos liable for the murder of her husband.

The opposition leader, who was Mr Marcos' strongest rival for the presidency, was gunned down at Manila airport on August 21, 1983 while under military custody after returning from a three-year exile in the U.S.

Three generals and 22 soldiers are now on trial in a civilian court on charges that they had a hand in Mr Aquino's killing. The defendants, including Army Chief General Fabian Ver, claimed that Mr Aquino was shot by a communist hitman who was killed by Mr Aquino's escorts.

A civilian inquiry panel disputed the military version and instead indicted the defendants for conspiracy and murder.

Soldiers used water hoses to break up another anti-Marcos demonstration by 5,000 protesters in the central Philippine city of Cebu yesterday. Some 16 protesters and four soldiers were injured as demonstrators threw stones in retaliation, witnesses said.

His views fit into no simple categories, and nothing angers him more than the charge that he has "betrayed" the African cause.

He joined the ANC while a student at Fort Hare University, and today continues to see himself in the ANC tradition. "I have always stated," he said, in a recent interview, "that Inkatha is rooted in the ideals of the ANC. We have the same goals, to bring about a non-racial democratic government in South Africa. We differ only on strategy."

He does not give any comfort to the Government, which portrays as a concession its offer to provide a political forum (yet to be defined) for urban blacks outside the homelands, when he declares: "I have never regarded urban and rural blacks as having separate destinies."

Many of Chief Buthe's critics concede that he has been a stumbling block to Pretoria's efforts to achieve the grand apartheid design.

Pretoria placed formal control of KwaZulu in the hands of a legislative assembly, but Chief Buthe has refused to accept the "independence" that has been offered, in part because it would mean loss of South African citizenship for the territory's residents.

His stand has been an effective veto on the completion of the homeland policy. "If there is one issue that is non-negotiable, it is the loss of citizenship," said Chief Buthe, in a recent interview.

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Peking polls the masses on prices

By Robert Thomson in Peking

THE CHINESE Government has resorted to an opinion poll to discover whether the masses approve of its economic reform policy. The results show that the majority generally approve of price reforms, although a surprisingly large percentage openly expressed their displeasure.

Just over 2,400 people in 11 cities and 16 counties took part in the poll, carried out by China's Economic Structural Reform Institute and Beijing University's sociology department. The results of the poll were reported in today's "Economic Daily".

Chinese readers were surprised by the frank admission contained in the published results that, while a majority support the reforms, a sizeable minority don't understand or don't approve of the Government's policy, which is designed to make prices more responsive to the market.

Presented with the statement "price reform will eventually be beneficial to the improvement of the people's living standard," 68.6 per cent of those surveyed agreed, 20.5 per cent did not know, and 8 per cent disagreed. (The figures do not total 100 per cent because 200 people apparently did not answer the questions at all.)

To the question "do you agree that the reform can only bring higher prices?"—55.3 per cent agreed and 59.4 per cent disagreed. Asked whether the state would let the Chinese people suffer losses, 86 per cent said that it would not, and 10 per cent expected that the state would let them suffer.

Acceptance of the politically-sensitive question of price policy is crucial to the success of the economic reforms introduced by the Chinese Government. Subsidies have already been removed from food prices in many cities in an attempt to let the market prevail.

The abolition of subsidies led to a sharp increase in prices, though they now appear to have stabilised. Price reforms were introduced in Peking in May, tripling the price of some varieties of fish, and causing a 36 per cent rise in the cost of pork, the staple meat.

In June, thousands of peasants reportedly staged a protest in Tianjin, against the Government's decision not to grant them the wage subsidies given to urban workers to offset the price increases resulting from the reforms.

The opinion poll was asked "what do you think is the aim of the reform?"—to which 74.3 per cent replied "enriching the economy," while 16.6 per cent said "do not know" and 7.1 per cent answered "the state wants to gain money".

Presented with the statement "price reform will eventually be beneficial to the prosperity of the state economy," 78.3 per cent agreed, 17.8 per cent said they did not know, and 3.7 per cent disagreed.

Commenting on the findings, a spokesman for the State Price Bureau said price reform is "the key to the success or failure of the structural reform of the whole economy."

Hanoi minister visits Jakarta

THE VIETNAMESE Foreign Minister, Mr Nguyen Co Thach, is in Jakarta for talks on the thorny issue of Kampuchea Keras.

Indonesia, the closest to Vietnam of all the South East Asian countries, says there are indications that Hanoi may now wish to solve the question of Kampuchea, the Vietnamese-backed government of which is still not recognised by the United Nations.

Last week, the foreign Ministers of Vietnam, Laos and the Vietnamese-backed Government in Phnom Penh, said all Vietnamese troops in Kampuchea—said to number 170,000—would be withdrawn by 1990.

Taiwan names Finance Minister after scandal

BY BOB KING IN TAIPEI

TAIWAN HAS appointed a new minister of finance to replace Mr J. K. Loh who resigned last week after the wake of a financial scandal.

The government named Mr Robert Chien, a deputy governor of the Central Bank and a former member of parliament, and head of both Tenth Credit and Cathay Plastics treated Tenth Credit as his private treasury to fund his other companies.

To do this, the Government charges, Mr Tsai used "donum" acting improperly or failing to act, thus contributing to the largest financial scandal in Taiwan's history.

Details of the affair are still emerging. The Government alleges that Mr Tsai Chen-Chou, a former member of parliament, and head of both Tenth Credit and Cathay Plastics treated Tenth Credit as his private treasury to fund his other companies.

The Taipei courts have already sentenced Mr Tsai to six 15-year jail terms on bond cheque charges. He is now standing trial along with several associates on more serious charges of breach of trust, forgery and fraud.

Mr Chien will have to move swiftly to restore public confidence both in the Government and in the soundness of private companies here.

Companies have found it increasingly difficult to raise private capital since the Cathay affair surfaced and many companies are having cash flow problems as a result.

Michael Holman profiles Chief Buthelezi, ruler of the country's largest homeland

Zulu leader takes a contentious stand in S. Africa

THE Chief Minister of the homeland state of KwaZulu, president of Inkatha, South Africa's largest black political party, and hereditary Zulu chief, Mangosuthu Buthelezi, had just demonstrated why he is also one of the republic's most contentious figures.

The bearded, bespectacled 56-year-old leader of South Africa's 6m Zulus, the largest single ethnic group among the country's 22m blacks, had hosted a lunch at a hotel in Ulundi, the KwaZulu capital, for a visiting U.S. delegation.

Genial, articulate and often humorous, he had presented an eloquent account of his case against any form of economic sanctions or disinvestment, and asserted his belief that the political aspirations of the nation's black majority could be achieved by non-violence and negotiation.

Fifteen months on from that Ulundi meeting, Chief Buthelezi received little encouragement last week from the speech by Mr P. W. Botha, the South African president, which failed to outline expected new reforms.

Mr Botha, suggested Chief Buthelezi afterwards, lacks the courage of his reformist convictions.

This lack of new Government initiative will inevitably add to Chief Buthelezi's difficulties in

winning support for his stand. It is already anathema to many black South Africans, whether in the United Democratic Front (UDF), the anti-apartheid multi-racial coalition, the banned African National Congress (ANC) or the radical Azania Peoples Organisation (AZAPO).

Their opposition to Chief Buthelezi stems from a fundamental disagreement over tactics. The ANC is waging a guerrilla campaign, while UDF and AZAPO strongly hint at support for disinvestment and economic sanctions. To call publicly for either action is a serious offence in South Africa.

It also stems from misgivings both about the character of the chief and the role of Inkatha, whose 900,000 members sometimes operate in a para-military fashion.

The further source of friction lies in Chief Buthelezi's position as Chief Minister of South Africa's largest black homeland, which has laid him open to charges that he is "collaborating" with apartheid.

Yet at the same meeting in Ulundi, as he has done elsewhere in South Africa and around the world, the chief firmly disavowed any listeners of the notion that he might be an Uncle Tom figure. He reasserted his abhorrence of apartheid and his belief in a unitary South Africa and an adult fran-

"I have always stated that Inkatha is rooted in the ideals of the ANC. We have the same goals, to bring about a non-racial democratic government in South Africa. We differ only on strategy."

He expresses his willingness to compromise in the search for majority rule, arguing that he can acknowledge the realities of white power without submitting to it. It may be possible, he maintains, for the black majority to negotiate an equitable role in central government by granting concessions, rather than seeking confrontation.

It is a complex strategy and even more unpopular today among many black South Africans after more than 10 months of violence.

It is in Natal, however, the South African province from which the 24 or so chunks of separate territory which make up KwaZulu are carved, that his power sharing approach may be put to the test. There are tentative indications that the Government is looking again at proposals it once rejected out of hand.

In 1980, the chief established a commission with a multi-racial membership of

almost 50 eminent politicians, academics and businessmen were to investigate an alternative regional constitutional arrangement "for KwaZulu and Natal."

The commission, boycotted by the ruling National Party, delivered a seven-volume report in 1982 proposing a joint executive for the combined territories with equal black and white bloc a power of veto in with delegates from the coloured (mixed race) and Indian communities, and a legislative assembly elected by universal adult suffrage.

It also envisaged a justifiable bill of rights and offered the white bloc a power of veto in certain areas including educational changes.

Today the report is the nearest thing South Africa has to an alternative constitutional model. But despite veiled suggestions that the Government may look again at the proposals, the gap between Mr Botha's definition of power sharing and

what Chief Buthelezi envisages is wide, perhaps unbridgeable. "When we say that we insist on power sharing," said the chief in a recent article, "we are saying that African people must share in the determination of what happens to budgetary resources, the taxes we pay and the revenue we all help to earn."

He does not give any comfort to the Government, which portrays as a concession its offer to provide a political forum (yet to be defined) for urban blacks outside the homelands, when he declares: "I have never regarded urban and rural blacks as having separate destinies."

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EUROPEAN NEWS

Bonn hunts
a third
espionage
suspect

WEST GERMAN investigators are hunting a third suspected spy following the disappearance of two women secretaries believed to have been East German agents, Reuter and AP report from Bonn.

The Federal Prosecutor's office said it was inquiring into a messenger in an army administrative centre in Bonn who disappeared at the weekend.

Security officials identified the man as Lorenz B, aged 33, who had been a close friend of Ursula Richter, one of the missing secretaries.

They said his disappearance reinforced suspicions that she was the controlling officer of a string of agents in Bonn.

The mass-circulation Bild newspaper of Hamburg claimed that the man once worked as a lift mechanic in the top-secret Eiffel Hills bunker to be used by the Government in a nuclear war.

The man's disappearance became public as Herr Axel Werner, chairman of the parliament's interior committee, predicted that other spies would flee to East Germany.

Herr Werner said in a newspaper interview there were "definite signs" that the agents were getting nervous.

In addition to Ms Richter and Lorenz B, authorities say that Sonja Lueneburg, 61, a long-time aide to Herr Martin Bangemann, Economics Minister, was also suspected of spying for East Germany. She vanished on August 6.

The Prosecutor's Office confirmed yesterday that investigators suspect Ms Lueneburg slipped into West Germany with an assumed name in the 1960s.

Authorities found telephone numbers of the East German state security office in her apartment, according to Bild.

Norway forecast

Norwegian oil output is set to rise by almost 50 per cent over the next five years, from 35m tonnes per year to 50m tonnes, according to economists at Bergen's Institute for Industrial Economic Studies, reports Fay Gjerster in Oslo.

Ideological leader

The new ideological chief of the Soviet Union's 400,000 front-line troops in East Germany was named yesterday as General Nikolai Malyshev, formerly propaganda officer, near the Soviet border with Afghanistan, Reuter reports from East Berlin.

Coal losses fall

Charbonnages de France, the French state coal authority, said yesterday it had almost broken even last year after a loss of FFr 768.7m (\$63m) in 1983 despite a fall in production and a decline in French coal consumption, AP-DJ reports from Paris. Last year's loss of FFr 13.7m did not include government subsidies totalling FFr 6.6bn.

Peace contenders

A record number of 59 nominations for the 1985 Nobel Peace Prize has been submitted to the Norwegian Nobel Committee, Reuter reports from Oslo.

Winegrower fined

The former president of the West German Winegrowers Association, Herr Werner Tyrell (69), was given a one-year suspended sentence yesterday and fined DM 180,000 (\$41,500) for illegally sweetening his wine with sugar, Reuter reports from Mainz.

Tomatoes cleared

Tests on Italian tomatoes treated with a toxic pesticide showed residual traces of the chemical, but a Health Ministry official said yesterday the tomatoes, grown around Naples, were not a health risk, Reuter reports from Rome.

Tony Jackson reports on overcapacity in one of Europe's chemical industries

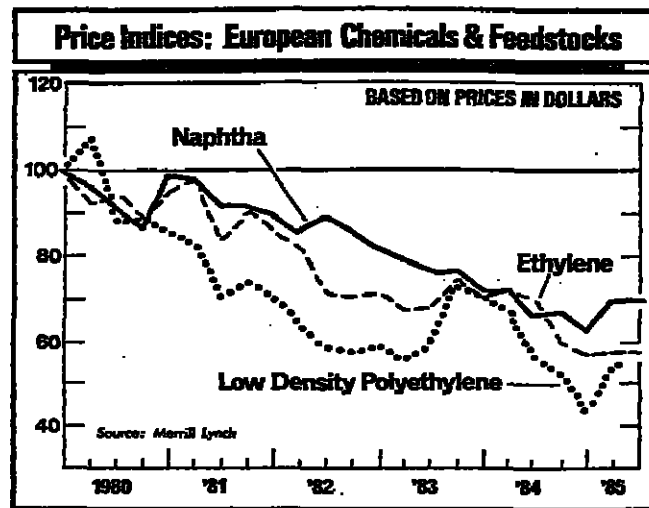
Thin times for ethylene plants

ESSO's announcement that it is closing its 450,000 tonne ethylene cracker at Cologne, West Germany, came as no surprise to the chemicals industry. Europe is suffering from overcapacity in ethylene of around 20 per cent, and the situation is about to be made worse with the commissioning next month of the efficient plant at Mossburn in Scotland.

Mossburn, a giant £500m project with an ethylene capacity of 500,000 tonnes, is a joint venture between Shell and Esso itself. It is also likely to be the last such plant in Western Europe for the foreseeable future.

Such massive projects were characteristic of the headier days of the 1970s, before the disastrous slump in petrochemical demand of 1980-81. Although business has picked up since, some industry observers believe there will be virtually no growth in European demand for ethylene until the end of the decade.

Demand will, of course, be higher for ethylene-derived products such as polyethylene, which in its various forms accounts for around 60 per cent of European ethylene output. But the massive projects in petrochemicals cannot be shipped economically around the world. And huge polyethylene plants in Saudi Arabia—started up this year—have an unbeatable edge over



Europe in terms of feedstock costs. However, there are still some very big players in European ethylene manufacture. According to industry consultants Chem Systems, the biggest is Shell, which with its half-share of Mossburn's output, will have total capacity in Europe of 1,46m tonnes—10 per cent of the total.

Next comes the U.S. group Dow, whose plants in the Netherlands and Spain have a combined capacity of 1.28m tonnes. Third is the Italian state-owned Enichem, with 1.15m tonnes. Then comes BP, with plants in Britain, France and West Germany totalling 1,075m tonnes, followed by the West German group BASF with 810,000 tonnes, and the Dutch DSM with 800,000 tonnes.

Until now, Esso has been very much in that league. Without avoiding action, its share in Europe's biggest, with capacity of nearly 1.5m tonnes. However, the Cologne closure, together with the forthcoming sale of its 365,000 tonne Swedish plant to

Statoll of Norway, will make it a second-line player with a mere 600,000 tonnes. But then, Esso plays an important role elsewhere in the equation through its partnership in Saudi Arabian polyethylene production.

As it happens, ethylene has lately been an improving business in Europe. Prices have been firming in recent months, after taking a dreadful beating in 1984. But this has little to do with underlying demand, and a great deal to do with an extraordinary series of plant accidents afflicting ethylene crackers in Europe earlier this year.

In January, a 200,000 tonne cracker in West Germany, jointly owned by Shell and BASF, blew up. Then, in May, the 365,000 tonne Swedish cracker which Esso is selling to Statoll was put out of action by the collapse of a cooling tower. Three days later, Enichem's 600,000 tonne cracker at Priolo, Sicily, was damaged by fire. Together with maintenance shutdowns, the accidents have put close on 15 per cent of Europe's ethylene capacity out of action.

However, most of this loss of capacity is probably temporary and the next downturn in the chemicals cycle, though much later than expected, cannot be very far off. Unless more producers follow Esso's example, the traumas could come again.

Turkish GDP up 3.8% in first six months

BY DAVID BARCHARD IN ANKARA

TURKEY'S gross domestic product grew by 3.8 per cent during the first half of this year, according to the state Institute of Statistics. The Government has set a target of 5.1 per cent for the year which now seems difficult to attain. GDP grew last year by 5.5 per cent.

Industry slowed markedly. It reached 8.8 per cent in 1984 but is currently running at 4.5 per cent, more than 3 per cent below target.

Agriculture and services are also growing more slowly than expected at 2.8 per cent and 3.4 per cent respectively, well down on their performance last year.

Officials say that some overheating of the economy, especially in the manufacturing sector, occurred in 1984. However, the Government has set ambitious growth targets for the current five-year plan which runs until 1989. It is known to believe that high growth rates

are needed if any headway is to be made in tackling Turkey's main social problems, notably unemployment which is nationally at around 20 per cent.

The statistics institute estimates that per capita gross national product in Turkey has now risen to \$1,065 a year.

West German car sales recover in July

FLENSBURG—West Germans registered more new cars last month than ever before in July, the Federal Motor Office said yesterday, Reuter reports.

The figures underlined a healthy recovery in the domestic car market from extreme weakness earlier in the year.

New car registrations defied a normally weak trend for July to rise by 12.7 per cent on June to 245,363, 48.5 per cent higher than in July 1984, when sales were badly hit as labour disputes dampened consumer spending.

The previous July record of 204,000 was set in 1971.

The motor office attributed the rise in car registrations to a release

of demand held back last year and early this year as potential customers awaited clarification of government plans to tighten car emissions standards. The EEC agreed in March to phase in the new standards from 1988.

Confusion about the plans had depressed registrations in the first quarter to 17 per cent below their 1984 level, but by July the gap had narrowed to 2.4 per cent less than in the first seven months last year.

Total vehicle registration rose to 254,411; 11.3 per cent up on June and also a July record.

Meanwhile, in Bonn, the West German Cabinet discussed a plan yesterday to reduce exhaust pollution from trucks, buses, farm ma-

chinery and motorcycles by 20 per cent from January 1, a government spokesman said.

He said the Cabinet was unable to reach a binding decision because more than half the ministers were on holiday, but the subject would be raised at a later session.

The Interior Ministry said the plan, part of the Government's campaign to curb pollution which is blamed for killing West Germany's trees, foresaw a two-step cut in emissions, for which EEC guidelines would be sought.

Europe's telecommunications industry cannot hope to compete against those in the U.S. and Japan as long as Europe's own commu-

nications market is divided into 10 national blocs, a leading West German economic research institute said in West Berlin yesterday.

The goal of creating a common EEC market is being frustrated by the policy of many national post and telephone authorities of buying mostly from domestic manufacturers, the DIW institute said in a report.

"Abandoning nationally oriented purchasing policies would create a large European market and give European companies the economies of scale which they could use in production and research and in offering competitive prices on world markets," the DIW said.

Bridget Bloom reports on one of Europe's sorriest examples of arms collaboration

Howitzer project rumbles toward completion

ONE OF the sorriest exercises in European arms collaboration might at last be drawing to a conclusion—with some hope of success.

Earlier this month, a West German company, Rheinmetall Wegmann, finalised proposals for the development, production and, critically, the management of a project which has involved the British, West German and Italian governments in trying to produce a new self-propelled howitzer.

The howitzer was conceived in the 1960s for probable deployment in the 1970s. If the proposals are accepted by the three governments, the weapon will have some chances of coming into service in 1990.

The development of the howitzer—dubbed the SP 70—has already cost more than £200m (at last September's

prices) and seems certain to top £300m before it is complete. This is at least double the spending on its companion weapon, a simpler and much more successful towed howitzer (field howitzer FH 70) which took only 10 years to produce and is now in service with the three national armies.

Each of the probable orders of around 700 SP 70s is likely to cost more than £1m, so major investments are at stake.

It is widely considered to be the worst example of European arms collaboration. Delays which have dogged the SP 70 are a combination of all those problems often considered endemic to such joint projects, ranging from over-ambitious specifications, to the inability of development engineers to anticipate technical problems.

Management problems in particular have bedevilled the project and the division of work between the three partners has been imperfectly coordinated and inefficiently run.

The SP 70 is intended to be a key element in Nato's battle-field armory. Its aim is to increase Nato's artillery range and firepower to a point where it begins to redress the balance between Nato and the Warsaw Pact's preponderance of tanks, armoured vehicles and fighting men.

The SP 70's attributes were to be increased mobility and firepower. Nato tacticians envisage prolonged artillery and tank battles in the immediate aftermath of the outbreak of war in central Europe.

Given the disparity in strengths, it was decided that the SP 70 had to be capable of

a sustained rate of fire far in excess of anything seen before—about 500 rounds of 100 lb-120 lb ammunition in a 24-hour day—and also be capable of firing in bursts at a rate of three shells every 10 seconds.

The gun which the FH 70 replaced in 1978 did well if it achieved four rounds a minute.) The SP 70, with its tracked armoured vehicle, looks more like a tank. It is bigger and more complex than the FH 70, and the process of firing up the work between the three nations was long and tense.

West Germany, which wants about 400 weapons, took the chassis, barrel, loading, electric and hydraulic systems; the UK (needing about 200 systems) took the turret, magazine, ammunition handling and gun-sighting systems; and Italy's work (ordering some 70 systems) included the auxiliary power unit and the combined balancing and elevating system for the gun.

Rheinmetall was formally appointed co-ordinator, but not prime contractor, for the system.

The main difficulty with this division of work has been that responsibility for the SP 70 ammunition handling system is split between the three countries.

The central problem today is that while mechanically the SP 70 can achieve the burst rates of fire specified for it, it is unable to do so for any length of time. So it cannot demonstrate the reliability of firing which is at the top of the three armies' operational requirements for the weapon.

At least twice in the last few years, the three armies have looked again at their specifications for the SP 70 and decided that they cannot be changed.

British officials say it should be possible to get the system firing reliably in about 18 months. But many believe the project stands little chance of success unless its management structure is changed.

The problem here appears to be lack of co-ordination, particularly on the integration of the turret and ammunition handling systems. Bonn in particular is believed to feel that contracts have not been drawn tightly enough, while West German officials are apparently unhappy at the way Britain has

East bloc
private
sector
'still tiny'

By David Buchan

THE OVERALL impact of recent moves in the Soviet bloc to permit more private enterprises in industry and services has been greatly exaggerated in the West, according to Wharton Econometrics.

The private sector accounts for no more than 3 per cent of industrial output or more than 10 per cent in retail trade in any country, says a Wharton survey.

Conducted by Mr Jan Vanous, the study is based on Soviet bloc countries official statistics up to 1983, the most recent year for which such figures are available.

Illegal private enterprise, which in some countries is as significant as the legal private sector, is not included. Nor are services such as repairs, laundries, tutoring, nursing, legal services and entertainment, which are officially deemed "non-productive."

Recent Soviet warnings about the ideological consequences of private enterprise in Eastern Europe suggests that such activity has grown since 1983. But the Wharton study shows that any growth would be from a minuscule base.

Poland, which in recent years has encouraged creation of small private companies with capital from emigre Poles, had the highest private share in its industry, at 10 per cent in agriculture.

The private sector in 1983 accounted for 3.1 per cent of total industrial output there. In East Germany the figure was 2 per cent, and Hungary 1.4 per cent. Private investment in industry was negligible in Romania and Bulgaria, and zero in Czechoslovakia and the Soviet Union.

Private retail shops increased in number between 1980-83 by 50 per cent in Hungary and by 57 per cent in Poland, and private restaurants by 144 per cent and 24 per cent respectively.

Since they are so much smaller than state-run shops or restaurants, however, the private sector only accounted for 11.7 per cent of total retail turnover (including restaurants) in East Germany, 2 per cent in Poland and 1.5 per cent in Hungary. It was negligible or zero in the other four Soviet bloc countries.

Oslo music ban

At least six of Oslo's 30 local radio stations are boycotting music by foreign artists who have performed in South Africa from 1981 to 1984, AP reports.

Fabius plans TV
statement on
Greenpeace affair

BY DAVID HOUSEGO IN PARIS

THE FRENCH Prime Minister, M Laurent Fabius, is to go on television in a week's time to give the Government's view of the sinking of the Greenpeace boat, the Rainbow Warrior.

His broadcast will follow publication of the special report on the affair that the Government has commissioned from M Bernard Tricot, a senior official of the Ellysée under General Charles de Gaulle. The report had been expected this week.

Announcement of this timetable has been accompanied by official attempts to dampen down speculation that M Charles Hermin, Defence Minister, will be forced to resign. He told journalists this week that he had "never dreamt of resigning."

The Government's tactics are becoming increasingly clear. While strongly condemning the sinking of the boat, it is blaming the secret service rather than ministers. It remains to be seen whether the senior echelons of the foreign intelligence service (the Direction Générale de Sécurité Extérieure) will accept this.

Admiral Pierre Lacoste, the head of the DGSE, is described by those who know him as a career soldier unlikely to have authorised a sensitive operation without seeking political approval. He is also said to be a man



Fabius: official view

likely to resist unjustified attacks on his organisation.

The key question, therefore, is whether M Tricot's report will absolve the Government of responsibility. The assumption is that only an edited version of the report will be published so as to conceal names and command structures in the DGSE.

Mme Georgina Dufoix, the government spokeswoman, yesterday dissociated the Government from the sinking, saying that "to sink a ship does not seem to me a good solution, whoever did it."

Swiss current account rise

BY JOHN WICKS IN ZURICH

SWITZERLAND'S CURRENT account surplus reached a record SwFr 8.9bn (\$2.5bn) last year. The previous highest level was SwFr 8.42bn in 1976.

Both income from abroad and foreign expenditures passed SwFr 100bn for the first time, reflecting the overall improvement in business conditions.

The Government had estimated the surplus earlier this year at only SwFr 7.5bn. Given the generally good economic situation, it seems likely that the official estimate of a SwFr

7.3bn surplus for this year will also be surpassed.

Last year's result was attained in spite of a 14 per cent rise in the merchandise trade deficit to SwFr 8.37bn, the second largest on record. This was more than compensated for by invisibles, with a surplus of SwFr 11.6bn from capital movements and labour.

The biggest single items here were net capital income of SwFr 14.5bn and net income from tourism of SwFr 3bn.

COPENHAGEN HANDELSBANK

Copenhagen Handelsbank's half-yearly results:

The profit for the first half of the year (after revaluation of the securities portfolio but before provisions, depreciations and taxes) was Kr 1,237 million against Kr 411 million for the first half of 1984. The profit includes an increase in the market value of the securities portfolio of Kr 802 million.

The profit from the ordinary operations of the Bank was Kr 395.5 million against Kr 266.1 million for the first half of 1984 (see note 2). The profit does not take account of the Bank's Combi-pension pools (see note 1).

PROFIT AND LOSS ACCOUNT (summary)

	1985	1984
(Kroner million)		
Interest and commission on advances...	1,925.4	1,538.3
Interest and dividends, etc., on bonds, shares and mortgages, etc.	981.8	732.4
Interest on deposits with domestic and foreign banks, etc.	1,009.8	868.9
Total interest income	3,917.0	3,139.6
Interest on deposits	1,556.9	1,336.0
Interest on deposits from domestic and foreign banks, etc.	1,178.9	879.2
Interest on subordinated loan capital, etc.	103.0	80.8
Total interest expenditure	2,838.8	2,296.0
Net income from interest and commission	1,078.2	843.6
Profit on and value adjustment of foreign exchange:		
Profit on and value adjustment of foreign exchange	49.6	72.6
Exchange rate adjustment	-9.7	5.9
Other ordinary income	201.8	178.8
Profit before expenses, etc.	1,319.9	1,096.6
Salaries and pensions, etc.	333.2	579.8
Other expenses	-291.2	-252.7
Profit before provisions and depreciations, etc.	395.5	266.1
Extraordinary income and expenses	38.1	49.8
Adjustment for changes in market value of securities	802.4	-274.7
Profit including adjustment for changes in market value of securities, but before provisions and depreciations, and taxes	1,237.0	412.2

Note 1
The foregoing Profit and Loss Account incorporates an adjustment for the following items, which relate to the Bank's Combi-pension pools:

	1985	1984
Interest and dividends from bonds, shares and mortgage deeds	112.5	99.7
Interest on cash deposits	16.0	-
Total interest and dividends	128.5	99.7
Salaries and pensions, etc.	+ 131.9	- 148.5
Pool yields to be allocated as interest to Combi-pension clients	260.4	- 48.8

Note 2
Maturity gains on bonds and brokerage from securities transactions, which have previously been included in the adjustment for changes in the market value of securities, have now been moved to "interest on bonds" and "other ordinary income" respectively, following changes in the banking inspectorate's rules on the presentation of accounts which took effect on January 1, 1985. These items amounted to Kr 124 million for the first half of 1984.

Prospects of good results for 1985

Current prospects for the Bank's business point towards satisfactory results for the year as a whole. If the present level of interest does not change substantially, a considerable capital gain on the securities portfolio is expected.

COPENHAGEN HANDELSBANK

The late Professor Arthur Upham Pope, the well-known Iranologist, once commented: "In a Persian carpet there exists an artistry the parallel of which cannot be found in any painting." Pope's statement was no exaggeration. For the present universal fame of the Persian carpet is the result of thousands of years of experience and artistry. It is these exquisite characteristics and features, together with many more, that make the hand-knotted Persian carpet unique in the world.

A hand-knotted Persian carpet serves not only as a beautiful floor covering but also as a form of saving for its owner after decades of use. This is especially so because of the rapid and all-embracing expansion of machinery and the increasing attraction of workers and craftsmen towards machine industries.

CARPET PRODUCTION CENTRES

ABADEH - ARAK (Sarouk) - ARDESTAN - BIJAR - BRUJEN - HAMADAN - ISFAHAN - KARAJ - KASHAN - KERMAN - MALAYER - MASHHAD - MAHALLAT - NAIN - QUM - RAFSANJAN - SABZEVAR - SANANDAJ - TABRIZ - TEHRAN - GORGAN - YAZD - ZAHEDAN - BIRJAND - SEMNAN - SHAHREZA - SHAHREKORD - TORGHEBEH - GONABAD

EXPORT PROMOTION CENTRE OF IRAN
TEHRAN INTERNATIONAL EXHIBITION GROUNDS
CHAMRAN HIGHWAY, TEHRAN IRAN

AMERICAN NEWS

Black anger over 'Back Botha' call by U.S. clergyman

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE SOUTH AFRICAN Government has acquired a powerful but controversial new American ally, whose intervention has already further inflamed the passions aroused by the apartheid debate in the U.S.

The Rev Jerry Falwell, 52, leader of the right-wing Moral Majority movement, caused an outcry among black leaders yesterday by describing Bishop Desmond Tutu as a "phony" and promising a nationwide "reverse sanctions" campaign to shore up U.S. investment in South Africa.

Mr Falwell, who returned from a five-day trip to South Africa on Tuesday, said that President P. W. Botha was committed to ending apartheid and was regarded as the only hope by black leaders. South African blacks had told him that Bishop Tutu was not their spokesman and he had "yet to find one person - poor, wealthy, black, coloured - who did not plead with the American people not to disinvest and not to impose sanctions."

Moral Majority will now spend at least \$1m on a two-week campaign against sanctions, using 100 Christian television stations across the nation, Mr Falwell says. He plans to mobilise millions of his followers to buy South African Kruggerands and remove their investments from companies that have pulled out of South Africa.



Rev Jerry Falwell

Black leaders yesterday denounced Mr Falwell as a "racist demagogue" and a "reincarnation of the old George Wallace," the segregationist southern leader of the 1960s. "Segregationists always manage to find some blacks who will say what they want," said the Rev Joseph Lowery, president of the Southern Christian Leadership Conference.

Mr Falwell admits that he was once a segregationist, but says that he was led away from it by the Holy Spirit and now opposes apartheid.

Nicaragua to press war claims against U.S.

By Tim Coone in Managua

Nicaragua is to press ahead with its litigation against the U.S. in the international Court of Justice in The Hague, according to Sr Daniel Ortega, the Nicaraguan President.

Detailed hearings are to be held between September 12 and 20, and President Ortega said on Tuesday that Nicaragua is establishing a claims commission, to which any Nicaraguans who have suffered human or material losses as a result of actions carried out by the U.S.-backed guerrillas in the country can present a claim for compensation from the U.S. Government.

Nicaragua began litigation against the U.S. in the World Court in April 1984, after the mining of Nicaraguan ports by the CIA. The U.S. subsequently refused to recognise the two years the courts judge decision in relation to Central America.

President Ortega criticised the U.S. position saying: "The United States has a great opportunity to demonstrate in the court that it does not have any responsibility for the terrorist actions against Nicaragua, and that on the contrary, we the Nicaraguans are the terrorists as they keep telling us."

He said Nicaragua was hoping for a favourable judgment from the court which would instruct the U.S. to end the guerrilla war it has been financing in Nicaragua and to compensate its victims. He added that he was confident that a future U.S. Administration would accept the Court's ruling and that compensation would be paid.

Estimates vary considerably of the damage caused by the war, but direct and indirect costs probably amount to more than \$600m. Some 250,000 people have been displaced, about 9 per cent of the population, and over 12,000 people have been killed since the war began in late 1981.

Long-term costs to the economy, due to destroyed investments and diversion of over 50 per cent of the central Government's budget to defence, are virtually incalculable.

Meanwhile, Nicaragua's National Assembly has approved the prolongation of an amnesty for the right-wing guerrillas, until July 19 1986. The amnesty was first introduced in December 1983.

Some researchers claim the SDI is technologically unsound, writes Peter Marsh Scientists divided over value of Star Wars

THE ISSUE of whether to participate in President Ronald Reagan's Strategic Defence Initiative, Star Wars, is dividing university scientists in the U.S. and other Western countries, a group of people widely believed to be vital to the project's success of failure.

Some academic researchers claim that the Pentagon's technology is technologically unsound and should be abandoned, but others are attracted either by the technical challenges of the project or the large sums of cash it will offer.

The arguments, particularly concerning scientists in computing, which is perhaps the key area in Star Wars research. An operational system to defend the U.S. from Soviet missiles would require ultra-fast computers that, with reasoning powers approaching those of humans, would control the sensors needed to track the missiles and the weapons such as rockets or laser beams to shoot them down.

The computers, to do their jobs effectively, might have to deal with millions of instructions about, say, 1,000 Soviet missiles within 10 minutes of the missiles leaving their launch pads.

The task sounds difficult, some say impossible. This is the view of Professor David Parnas, a leading computer researcher, who recently resigned from a panel advising the Pentagon on Star Wars after claiming that such computers could never be built.

Prof Parnas, who works at the University of Victoria in Canada, says in particular that the complex instructions (software) for a Star Wars computer would be almost certain to contain errors and so make the system unworkable.

One French scientist weighing up the question of participation in Star Wars research is Professor Patrick Meyrueis of Strasbourg's Louis Pasteur University. He is a leading expert in opto-electronics (or photonics).

Prof Meyrueis has been in contact with Dr John Canfield of the University of Alabama, in Huntsville. Dr Canfield is director of a research programme studying the application of optical signal processing for high-speed computing schemes.

Although Professor Meyrueis says this does not add up to an official opinion, he

adds: "You can have contacts through organisations that could be construed as the beginnings of an approach."

Prof Meyrueis is regarded as a pace-setter in forging research links with industry. His team has about \$2.4m (\$1.4m) in contracts concerning various applications of lasers. He has also carried out contracts with Aerospace for holographic testing of military equipment and has recently agreed to work with the French aerospace research agency Onera on processing data from radar. He also has other defence-related work in robotic vision.

The professor, who has done consulting work for the U.S. Defence Department since 1972, says he resigned from the panel only after several weeks of wrestling with the technical arguments concerning the research. This convinced him that "the programme is full of sloppy reasoning and opportunities."

Others in the computing community agree with his views, says Prof Parnas, but go along with the grants that are available or because they are tied to defence contracts and are not free to speak out. "I quit because this seems to me fraudulent," he says.

Prof Parnas's action has endeared him to some sections of the U.S. research community. A petition organised by the highly-respected physics department at the University of Illinois states that the Star Wars programme is "technically dubious and politically unwise" and could make the whole process of arms control more difficult.

Several hundred scientists, from leading institutions such as Stanford University, the University of California at Berkeley and Cornell University, have signed the petition. They have undertaken not to

apply for or accept money from the Star Wars project and to lobby Congress to modify the programme.

Prof Wolfgang Panofsky, the ex-director of the Stanford Linear Accelerator Center in California (a leading centre for particle physics), is not against research into defensive systems but thinks that the Star Wars programme's "emphasis on demonstrations of technology and early results" is dangerous.

"I am opposed to the false hope that the current balance of terror may be relieved by defence. I don't like to see statements of policy preceding the technical results."

The organisers of an international software conference in London next week, to be attended by 1,000 people from 35 countries, are organising a special debate on the computer aspects of Star Wars.

Prof Parnas will argue at this gathering that the computer problems are intractable, but Prof Fred Brooks of the University of North Carolina, who was formerly a key worker in software developments at IBM, will put the opposite view.

His arguments are supported by other U.S. computer scientists who point out that the technical advances needed for

the work funded by his division is "fundamentally important to the whole programme."

Dr Jonson says that of the 2,700 requests for funds, about 10 per cent are "outstanding proposals." He hopes to fund roughly 1 in 3 of the applications - not just in computing but in areas such as new materials, space structures, power engineering, laser beams and rocket fuels.

He is particularly keen to involve in the research British computing academics who are among the world leaders in areas such as software engineering and "intelligent" computers. Workers from other parts of Europe have also been contacted.

At least one eminent British computing professor is already doing consulting work on the Star Wars programme on behalf of a U.S. defence contractor. Others, however, are among a group of about 100 computing academics who recently signed a letter to Mr George Bush, the U.S. vice-president, urging him to reconsider Star Wars.

In between the criticisms of the SDI, however, are a number of enthusiasts who are the somewhat laid-back views of Prof Marvin Minsky, a doyen of work in intelligent computers who is at the Massachusetts Institute of Technology.

"The spin-offs from Star Wars could hasten the development of space travel, for example make possible space colonies. Perhaps we ought to go along with Star Wars because the world may turn out to be a much better place than we think it is."

"From a long range point of view, these issues are far more important than whether the world is communist or capitalist," says Prof Minsky.

Astronauts on shuttle flights will visit the orbiting factories periodically, to do repairs and take away materials.

Nasa will not require Space Industries to pay in advance for the launch of the two space modules.

Instead, it will sign a royalty agreement under which it takes 12 per cent of Space Industries' gross revenue from the sale of its hardware.

Shuttle to put first space factory in orbit by 1990

BY PETER MARSH

THE WORLD'S first space factory should be in orbit by the end of the decade as a result of an agreement between the U.S. National Aeronautics and Space Administration and Space Industries, a company in Houston, Texas.

Space Services, whose president and founder is Dr Max Faget, an eminent Nasa engineer who designed the Mercury capsules used in the early U.S. space shots, will launch space shuttle flights in 1989 and

1990 two large canisters for processing drugs and other materials in low gravity.

The 20 ft-long canisters will each have a capacity of 2,500 cu ft, similar to that of a large living room. Space Industries, which says the venture will cost \$250m to \$500m, plans to rent out the units to companies interested in producing materials such as high-purity pharmaceuticals or defect-free crystals for semiconductor.

Dr Joseph Allen, Space Industries' vice-president, said yesterday that McDonnell Douglas, Lockheed, 3M and Microgravity Research Associates, a small enterprise interested in making semiconductors in space, were among the companies which might take accommodation in the units.

Brown and Root, the Houston-based construction company, is one of Space Industries' financial backers. Dr Allen, an astronaut who last year helped in the rescue of two al-

lives, said Space Industries plans to raise the cash for its venture from a mixture of sources, including existing companies and private individuals.

Space Industries, which required when construction of the factory modules starts in about 18 months. The nine-year-old Houston company has still to finish design studies on the units, which will be unmanned and left to operate automatically in orbit for up to six months

at a time.

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WORLD TRADE NEWS

Lagos plans \$100m notes issue for trade debts

By Patti Waldmeir

NIGERIA is planning to issue some \$100m (\$71m) in promissory notes next month as part of the protracted re-scheduling of several billion dollars of its overdue trade debts, according to bankers.

This will bring to about \$600m the total amount of six-year promissory notes issued to cover overdue uninsured trade debts since Nigeria agreed last year to reschedule such arrears which had accumulated primarily in 1982-83.

The largest issue so far was in June this year, when \$479m in notes was brought out. Some \$229m in insured trade claims have also been approved by the Central Bank of Nigeria but a stalemate between Nigeria and western export credit agencies on terms of rescheduling insured debts has meant no notes have been issued.

Nigeria's timetable for issuing notes on uninsured debts has slipped back repeatedly. Bankers hope that a further \$1.3bn in claims now held up awaiting Central Bank approval can be issued by the end of the year. This delay was because of confusion over whether or not the shipments involved required inspection approval from SGS, Nigeria's former agents for pre-shipment inspection.

But they note that difficulties remain in matching exporters' and importers' documentation in order to verify for repayment a substantial portion of the estimated \$59n-\$71m total of legitimate insured and uninsured debts.

Exporters are now being contacted to provide further evidence of these unsettled claims.

The bankers said that despite a worsening foreign exchange crisis in Nigeria, the government appeared to be committed to proceeding with the issue of notes, at however slow a pace.

Civil works at Nigeria's Nsima (\$A.03bn) Ajoakuta steel project, the largest in black Africa, are expected to resume soon following a two-year stoppage by Fougerolle and Dumet of France.

Resumption will follow an agreement between the two companies and the Nigerian Government involving an increase in the price of the civil works contract.

David Dodwell examines the controversy which is grounding a fledgling Hong Kong airline's plans Lift-off problems fail to douse Dragonair's fire

DRAGONAIR, the fledgling Hong Kong airline controlled by influential mainland and Hong Kong Chinese business interests, had expected its single Boeing 737 by now to be shuttling busily between Hong Kong and China's two main cities, Peking and Shanghai.

Instead, the group finds itself at the centre of heated controversy, while its 150-passenger aircraft remains grounded except for a weekly round trip to Kota Kinabalu in Sabah, Malaysia.

It is still smoldering from the Hong Kong Civil Aviation Department's decision at the weekend to refuse its application to operate charter flights twice daily to Peking and once a day to Shanghai for six weeks from September 1.

The Department's ruling drew accusations of government bias in favour of Cathay Pacific, which has in recent years come to be seen as Hong Kong's de facto flag carrier.

Mr Steve Miller, Dragonair's managing director, called the ruling "an unmasked effort to stifle the growth of Dragonair." Cathay only last week began operating an additional weekly charter flight to Peking, taking its weekly total to three.

The application has put the Hong Kong Government in a particularly difficult predicament since the controversy has erupted less than two weeks ahead of long-awaited talks between China and Britain on a new air services agreement, which will include discussion of scheduled flights between Hong Kong and China.

Dragonair materialised as an airline with remarkable speed. Until March this year it was nothing but a glimmer in the eye of a handful of Hong Kong Chinese businessmen. Since being incorporated, with a share capital of HK\$500m (\$64.3m), and backing from the Bank of China and an array of Hong Kong's most powerful business figures, it has recruited a staff of 40, including trained cabin crew and eight pilots.

It has managed to get its air operators' certificate, has leased one aircraft, with detailed plans laid for acquisition of a second, and has begun charter flights to Sabah.

It is in large part the speed of its emergence, and the scale of its ambitions, that has infuriated the Hong Kong Government.

One official said: "Chartered

services are supposed to fill in the gaps. But this airline put in an application for major services between Hong Kong and Peking that in any parlance amount not to a chartered but a scheduled service."

The Government's dilemma has been compounded by informal assurances given in the past to Cathay Pacific that the airline would receive Government support in its long-

standing applications for the right to operate scheduled and chartered services between Hong Kong and Peking.

Cathay Pacific hopes that the chartered services it now operates to Peking will be converted into scheduled ones and that designation to operate the route will be transferred to it from British Airways, which has operated one flight a week between Hong Kong and Peking since the current air services agreement took effect late in 1979.

Dragonair's application for

no track record and one operating since could be prejudicial to the talks."

Mr Michael Miles, the Cathay Pacific chairman, is unabashed about the Government support it has received: "If you didn't have Government support, then and that designation to operate the route will be transferred to it from British Airways, which has operated one flight a week between Hong Kong and Peking since the current air services agreement took effect late in 1979.

"The Government have said they will support us, but they

have never said they will support us exclusively, nor that they would make it difficult for any other airline to start operations."

Ironically, the main casualty in Dragonair's war to win the right to fly between Hong Kong and Peking would not be Cathay Pacific but CAAC, China's notoriously inefficient national airline.

There are clear indications that CAAC would not welcome fresh competition from Dragonair, despite the strong backing the new airline unquestionably has at very high levels in the Chinese Government.

Dragonair is licking other wounds. Its application to Hong Kong's Air Transport Licensing Authority for licences to operate eight scheduled routes inside China has drawn objections from Cathay Pacific, and another newly-emerged Hong Kong-based airline company, Caledonian Far East, recently set up by British Caledonian.

As a result, its application must go to an expensive public hearing, and is unlikely to be heard until at least the end of September.

Even if these licences are awarded (all that needs to be established is a passenger

need), Dragonair must then qualify for designation to fly the routes. For this, it must not only be incorporated in Hong Kong and have its principal place of business there, but must be owned and controlled by British nationals.

Dragonair, however, is owned and controlled by Chinese nationals living either on the mainland or in Macao and Hong Kong, so would at present be barred from operating scheduled routes into China.

Not surprisingly, as the only alternative to a difficult and politically unpalatable restructuring of the ownership of the airline, Dragonair last week appealed to Sir Edward Young, Hong Kong's Governor, for the designation issue to be tabled in the imminent Peking talks.

Unless the rules are altered, Dragonair's plans for scheduled flights into China are likely to be stillborn for the foreseeable future.

There is no sign yet that the fire in Dragonair has been doused. With its formidable financial and political backing this is unlikely to be a serious fear for some time. But as an infant in a notoriously cut-throat industry it is learning very fast that it will have to live up to its name to survive.

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Swedes win SKr 350m pulp machine orders

By David Brown in Stockholm

SVENSKA CELLULOSA (SCA), the Swedish forest products group, has won three orders for pulp manufacturing equipment worth SKr 350m (\$307m).

The largest, worth SKr 120m, was placed by KNP Paper of the Netherlands with SCA's Sunds Desfibrator subsidiary. It involves a turnkey chemical-mechanical pulp facility for lightweight coated printing paper production and is to be delivered in the autumn of 1986.

A further SKr 110m order was received from Champion International of the U.S. for two complete bleaching lines for the group's Pensacola, Florida pulp facility.

The equipment, to be delivered in late 1986, will have a capacity of 1,400 tonnes a day.

The group also won an SKr 120m order from Domtar of Canada for a complete pulp facility for newsprint production.

Dole warns Taiwan on surplus

BY ROBERT KING IN TAIPEI

SENATOR Robert Dole of the U.S. yesterday brought the Taiwan Government face to face yet again with one of the crucial problems of the island: trade surplus in Taiwan's favour which last year reached nearly \$10bn (\$7.1bn).

Mr Dole, leading a seven-member senatorial delegation in a three-day visit to the island, also spoke of rising protectionist sentiment in the U.S. Congress that could result in tough quotas and other sanctions against Taiwanese exports should Taiwan fail to deal firmly with the problem.

The U.S. has for years been Taiwan's largest export market, taking an average of half of total export sales.

Sanctions and quotas against Taiwanese goods could thus have a serious effect on Taiwan's economy which is already struggling with a major slowdown in exports and near-crisis financial conditions at many companies.

Projections earlier in the

year put the 1985 trade surplus as high as \$12bn but the surplus during the first seven months ran slightly lower than during the same period last year.

The U.S. maintains that Taiwan has kept largely intact a system of tariff and non-tariff barriers to the importation of U.S. goods.

It notes, for instance, that Taiwan still values goods for customs purposes on a cost-plus-a-freight-on-board basis, rather than on a free-on-board basis, which helps make many Taiwanese goods more competitive than similar U.S. ones because of Japan's proximity to Taiwan.

The U.S. also complains about relatively high import duties on a wide range of goods. Taiwan has over the past year-and-a-half begun cutting duty rates on more than 1,000 items.

Taiwan also said it sends its "Buy American" mission to the U.S. this year with a "shopping list" worth \$350m.

Such missions over the past seven years have purchased \$7.4bn-worth of U.S. goods, according to Mr Vincent Siew, Foreign Trade Board director. Sceptics maintain however that these missions are largely for show and purchase only goods which Taiwan had intended to buy anyway.

Other observers claim that the annual surplus figures do not tell the whole story.

For instance, foreign trade figures do not include defence purchases, worth about \$700m from the U.S. last year, nor do they include money paid for services such as management and engineering consultancies.

They also exclude current account entries such as interest on loans from abroad.

Never the less, this is likely to fail to sway the U.S. Congress which is under increasing pressure from labour groups over the alleged damage which imports are causing to U.S. industry.

New bid to appease U.S. companies on unitary tax

BY OUR SACRAMENTO CORRESPONDENT

FURTHER attempts have been made to appease U.S. domestic companies critical of California's unitary tax Bill.

The Bill, which passed the State Senate in May, would allow foreign multinational corporations to choose between the existing system of calculating taxable profits on worldwide earnings, or basing taxation purely on a proportion of U.S. earnings - the so-called "water's edge" method.

The California assembly's revenue and tax committee this week, however, extended the provision to cover some of the largest domestic corporations which had expressed bitter opposition at not being able to select the method by which they were taxed.

The Bill now includes an amendment giving the "water's edge" option to U.S. corporations conducting more than 80 per cent of their business abroad.

A second amendment, claimed by committee members to be a means of reducing the state's 7.5 per cent unemployment rate, offers a tax credit of 67 cents in the dollar to companies reinvesting in California.

A coalition of more than 80 U.S. corporations, including Coca-Cola, IBM and Hewlett-Packard, has lobbied to block the Bill which, they say, discriminates in favour of foreign companies at their expense.

The coalition's chairman, Mr Gordon Moore, chief executive of Intel, said he would need time to study the changes in detail. "If the 67 per cent credit effectively gets rid of two-thirds of the tax, that may help a lot," he added.

A senior state official is expressing confidence that the Bill, which has to pass one more assembly committee before being ratified by the senate and the Governor, will be law by mid-September.

Import surge shocks industry in U.S.

By Nancy Dunes in Washington

THE U.S. economy has since 1981, been undergoing "industrial import shock" with an impact "more pervasive than even the 1970s oil price shocks of the 1970s," according to a report released by the House Committee on Energy and Commerce yesterday.

Mr John Dingell, chairman of the committee's investigative sub-committee, said the report gives cause for grave concern for the future economic well-being of the U.S.

"Between this Administration's misguided fiscal policies and its benign neglect of unfair foreign trade practices, American goods-producing industries in the 1980s have suffered cumulative damage without historical parallel."

The Democrats are gearing up to make trade a political issue in the 1986 Congressional elections, and the report lays the groundwork for an attack on Republican policies.

It links the overvalued dollar to the structural budget deficit, resulting from increased military spending and the first term Reagan budget cuts.

The overvalued dollar "has priced U.S. industrial producers off their own markets, causing a rising proportion of demand to be met by foreign supply," it says.

Good-producing industries have borne the brunt of the industrial import shock. But surprisingly, services industry has also lost ground, with imports absorbing more than 20 per cent of the growth of U.S. demand, the report says.

"The situation is almost certainly destined to worsen as the overall services balance - until now positive, although only half as large now as in early 1981 - heads into actual deficit due to this nation's having become a net debtor in early 1985."

The most severely affected sector is capital goods. Between 1980 and 1984, the real U.S. trade balance in capital goods plummeted from a record \$19.3bn (\$13.7bn) net export balance to a \$3.5bn deficit.

Even the capital spending boom generated by business cuts has gone awry.

Congress must now remedy past failures to co-ordinate macro-economic policies with carefully fashioned industrial and trade policies, it says.

UK NEWS

Companies 'slow to act' on race code

BY OUR INDUSTRIAL EDITOR

A NUMBER of "household name" companies and many local health authorities have begun "ethnic monitoring" to categorise their employees on racial grounds, according to research to be published by the Commission for Racial Equality (CRE).

They are also beginning to implement training and awareness programmes in an effort to redress the lack of workers from ethnic minorities, especially in supervisory and managerial grades.

The research shows, however, that many companies have done nothing to implement the CRE's statutory code of practice on racial equality, nearly 18 months after it came into effect.

Dr Aaron Haynes, the CRE's employment division director, said yesterday that "there has been a marked shift in the general attitude" since the publication of the code. He praised the "top household names who have swung into action" - but warned that little was being done by professional bodies.

The code, issued by Mr Tom King, the Employment Secretary, makes a series of recommendations based on the Race Relations Act which, if ignored, may result in a breach of the law.

It recommends adoption of equal opportunity codes and practices, ethnic monitoring and positive action in recruitment, training and promotion in favour of racial minorities.

The CRE's research says that "our inquiries indicate that many companies, of all sizes, industries and locations have done nothing to

implement the code's recommendations, or are only vaguely aware of its existence. Where detailed policies have been drawn up, they may be nothing more than paper exercises."

The report says that a number of local and health authorities, especially in inner London, have adapted many of the code's recommendations - but that "it is a cause for concern... that even in this relatively advanced sphere, the number of authorities which have adopted vigorous measures for assessing the effectiveness of policies by the collection and analysis of ethnic records of the workforce is still a minority."

Dr Haynes said that the structure of the professions often militated against the monitoring approach, since the companies were often composed of a few professionals with no prospect for promotion from lower levels.

In these cases, he said, intervention was required in the education and training systems to ensure that ethnic minority groups secured places.

In large companies, he said, the problem was rarely one of crude and observable discrimination, but rather of networks of family, friendship and education which "subtly" discriminated against blacks and other groups.

Among the companies commended for their adoption of the code's recommendations are Midland and Barclays Banks, Halifax Building Society, ICI, W. H. Smith, Smiths Industries, Safeways and British Petroleum.

Case pressed for full EMS membership

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE CHORUS of those who have been urging the Government to make Britain a full member of the European Monetary System (EMS) has been swelling to fortissimo, but without any answering note from ministers.

Mrs Margaret Thatcher's ears are said to be still jangling from the disharmonies of the European summit in Milan in June, so that there is no positive political enthusiasm for closer integration just at the moment, whatever the economic case. Moreover, many of the arguments put forward by advocates of Britain's full participation in the EMS are backward looking, so inevitably rather unpalatable to the Government.

The Independent National Institute of Economic and Social Research, for example, said in its latest review on Tuesday that it believed a policy of pegging the exchange rate within the EMS would have produced greater financial stability in recent years than the Government's preferred solution of focusing on monetary targets within a medium-term financial strategy.

This is tantamount to saying that ministers have made repeated mistakes in their periodic reviews of the subject. It also suggests that the Government made the wrong decision in February's sterling crisis when very serious consideration was given to the idea of joining the EMS's exchange rate mechanism (ERM).

The arguments then were finely balanced. Sterling was at a highly competitive rate of about DM 3.5 against the West German currency, some 1 per cent below the current rate. A general uncertainty about the Government's determination to pursue monetary discipline had infected the foreign exchange markets, partly because the targeting of the money supply was beginning to lose all credibility.

A firm commitment to an alternative exchange rate policy could then have been very attractive and there was no lack of advocates in Whitehall and, particularly, in the Bank of England.

Since then the steep rise of sterling has alarmed industrialists, persuading the Confederation of British Industry to come out in favour of full EMS membership and leading to a renewed interest among economists.

Contrary to popular belief, Britain is a member of the EMS even though the pound has not been part of it. Sir Geoffrey Howe, when he was Chancellor of the Exchequer, took the chair at realignment meetings. As a result the UK has taken a full part in designing the exchange rate mechanism (ERM).

The ERM defines central rates in terms of the European currency unit for each currency. None may diverge by more than 2½ per cent from this rate (0 per cent for the lira). Governments are committed to take action by intervention, changing interest rates or by other means when a currency bumps against the

limit. If the strain becomes intolerable, it can ask for a realignment.

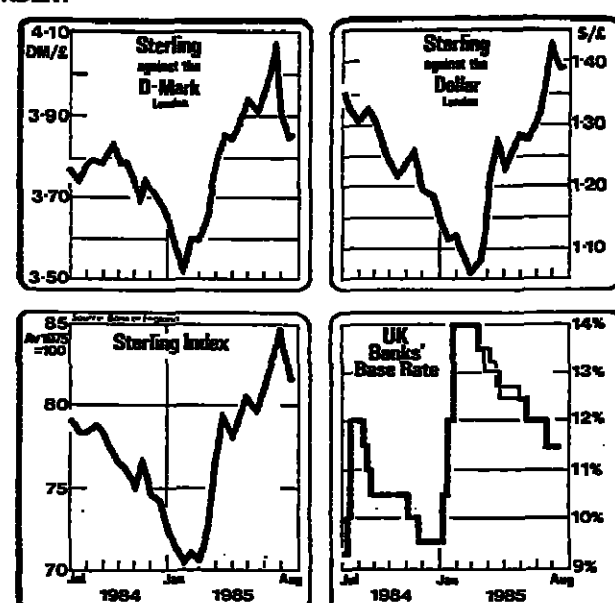
One of the stronger arguments in favour of the UK joining this system is that the eight currencies which participate in the exchange rate mechanism have enjoyed a period of impressive stability recently.

The sudden 8 per cent devaluation of the Italian lira on July 21 was the first realignment of parties for more than two years. It was accomplished with the minimum of fuss and without the weekend wrangling between ministers which accompanied the seven previous realignments since the system began operating in 1979.

It is argued that the EMS has come of age. A recent Bank of England study suggested that membership had reduced the volatility of exchange rates within the system, although it has made no difference to the overall stability of currencies, mainly because of the huge swings in the dollar.

A further argument put forward by the advocates of full membership is that wide differences of economic policy and performance among the European countries in the early days of the EMS have become much less. Differences in inflation rates and in monetary growth have been significantly reduced since 1980.

The most obvious example of this "convergence" was the sharp reversal of France's expansionary policies which accompanied its realignment in March 1983.



Against these views, the Government continues to argue that the pound can be vulnerable to major changes of sentiment on the foreign exchanges when oil prices are moving rapidly. This, it is said, could make it very difficult to keep within a narrow band against European currencies.

The second, related argument is that Sterling and the D-Mark, as two major internationally traded currencies, might find it difficult to

either within the constraints of the system.

This argument has particular force while the dollar is moving in an unpredictable switchback. However, those who thought that speculators would automatically move from the dollar into the D-Mark have not proved correct. High sterling interest rates have put the pound in greater favour since February.

Way clear for United newspaper bid fight

By Sue Cameron
THE GOVERNMENT has given formal consent to the proposed takeover of Fleet Holdings - publishers of the Daily and Sunday Express - by United Newspapers. The move follows the publication yesterday of a report by the Monopolies and Mergers Commission which says the transfer of Fleet's newspaper to United would not seem to be against the public interest.

United announced its plans for a merger with Fleet in March but has not yet said how much it will offer for the group. Fleet, which has a 31 per cent stake in TV-am, the breakfast channel and a share of Reuters press agency, said again that it would fight a United takeover.

The group, which had a pre-tax profit in the year to June 30 1984 of £22.08m on a turnover of £234.5m - double those of the previous year - commented that it was "disappointed" with the Monopolies report and added that it would defend itself.

United, which had pre-tax profits of £18.7m last year, said it would announce its intention on a bid for Fleet "shortly". The group, which already has a Fleet stake of more than 20 per cent, has been expanding fast over the last three years.

Lex, Page 14

Liffe sets out scope of new 'short gilt' contract

BY ALEXANDER NICOLL

THE LONDON International Financial Futures Exchange (Liffe) yesterday published details of its new UK Government bond futures contract, expected to become an important hedging instrument for players in the restructured market for gilts (Government stocks).

The new "short gilt" contract, due to start trading September 10, is designed to plug a gap between contracts already traded on Liffe, a three-month sterling interest rate contract and that based on gilts with 15 to 25 years to maturity. Gilts with three to 4½ years to run will be deliverable under the new contract.

The size of the contract has been set at £100,000, twice that of the long gilts contract but the "tick" or minimum price movement has been set at one sixty-fourth of a percentage point, compared with one thirty-second. This means that the minimum price movement on each £100,000 short gilt contract or £50,000 long gilt contract will be £15.625.

Mr Michael Jenkins, Liffe chief executive, explained that the contract size was higher because the underlying cash market in short-term gilts is less volatile than that in longer-term paper. A bigger size would enhance price volatility and thus make for a more successful futures contract.

The greater stability of the short-term bond market is generally expected to give the short gilts future limited appeal in its early stages. Holders of shorter gilts have less need to hedge against unexpected price movements, and speculative interest in the futures market is likely to be restricted by the smaller potential price movements.

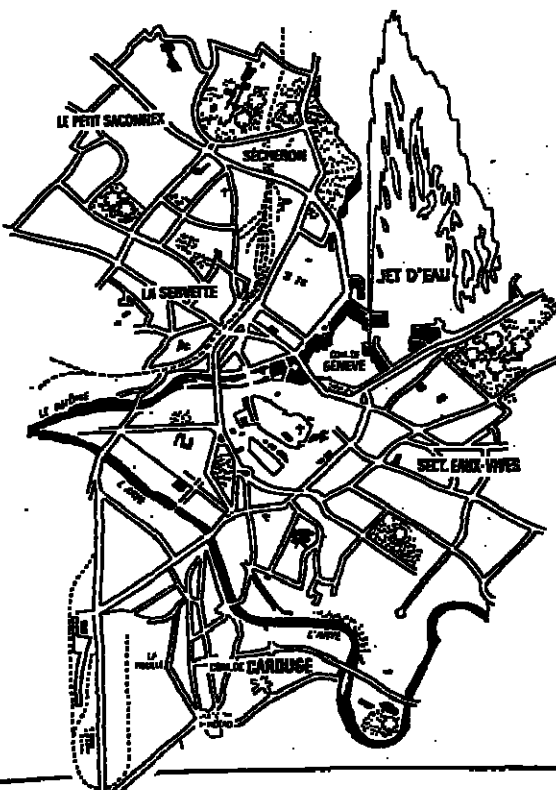
Furthermore, building societies, who are among the largest holders of short-term gilts, are forbidden to trade futures until their powers are altered through legislation expected to come into effect at the end of next year.

Nevertheless, the addition of a hedging instrument in the mid-range of the UK interest rate yield curve will be welcomed by participants in the gilts market. Until now, the market has been dominated by only two stockpiling firms. But after the "Big Bang" next year, 29 market makers will be jostling for position.

The increased trading volume and exposure of these firms is expected to drive them to cover their positions in the futures market. Mr Jenkins said that amid an increase in gilts market turnover, the futures contracts would be attractive to market-makers and increase their flexibility.

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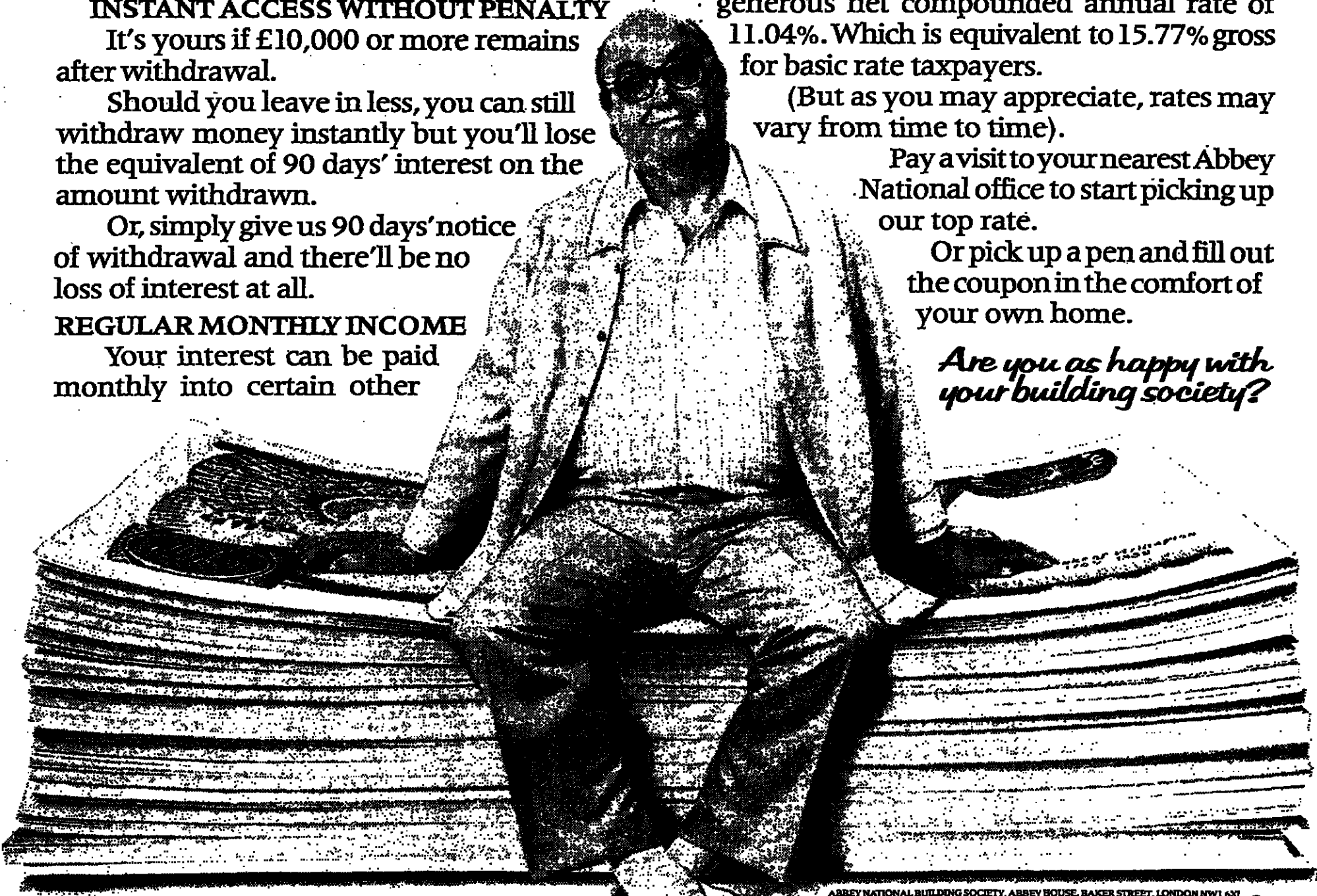
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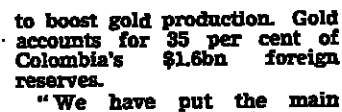
Thursday August 22 1985

ENERGY RESOURCES

In terms of world oil resources this is still small, but

This is considerably less than

towards foreign investment.
As it is, the basic lines of



Source: Econopro

† Assuming no new discoveries.

Source: Ecomyst.

There is room for more foreign direct investment, but

the Government must demonstrate sufficient control to calm intent fears.

[illegible]

COLOMBIA: Energy 2

Mining boosts local industry

El Cerrejón
SARITA KENDALL

ON THE windswept north-eastern coast of Colombia, huge piles of coal from El Cerrejón are towed across a choppy sea. Cranes lift the coal into a ship bound for Rotterdam while, on the other side of the pier, workmen assemble a linear loader that will make Puerto Bolívar one of the most efficient coal ports in the world.

By early next year equipment will be ready to handle up to 10,000 tonnes of coal an hour, and by 1989 some 15m tonnes a year will be exported via Puerto Bolívar. El Cerrejón's northern zone is a big development project by any standards, and expectations of the foreign exchange it will bring in are correspondingly high.

This year's earnings, estimated at US\$110m, are a bonus. Coal shipments began in February, nearly a year before the scheduled date. Although the early start meant an extra investment in provisional equipment at the mine and the port, Carboel, the Colombian coal company, was anxious to put El Cerrejón's production on the world market as soon as possible.

Welcomed

Carboel has been hard pressed to keep up the flow of funds for its half-share of the US\$3.2bn venture. But the Government is negotiating US\$1bn in foreign loans, and US\$423m will go towards El Cerrejón.

Interco, the Exxon subsidiary that is Carboel's partner in the northern project, has extended short-term credits to help Carboel through difficult patches. Shell Coal's recent interest in El Cerrejón could ease the situation, and has been welcomed by Mr Ivan Duque, the Energy Minister, as a vote of confidence. However it is not clear whether Shell's offer involves buying 10 to 20 per cent of Colombia's share in El Cerrejón, or whether the company wants the right to market some of the product. Several prominent figures have criticised any deal that would reduce Carboel to a minority shareholder, while the state company has repeatedly insisted on doing its own marketing.

Although Carboel's investment in El Cerrejón is just over

US\$1.6bn, other financial commitments—including the repayment of loans, operating costs, working capital and interest—more than double the sum needed between 1980 and 1989. Much external financing has come from export agencies (especially the U.S. Eximbank) but there has been a scramble to obtain peso credits from Carboel's main shareholders, Ecopetrol and Proexpo.

At El Cerrejón itself there is no sign of financial problems. The activity is tremendous, even though the number of people working on the project has begun to fall after reaching a peak of 13,000 a few months ago. A company town originally included in Interco's proposal has been dropped and towns nearby will be expanded instead to house those running the operation.

Most of the workforce lives in construction camps with Interco's operating teams. A 150 km railway crosses the coastal city of Barranquilla. Airstrips built at the mine and port are more than 1,500 metres long, and can be used at night. Much of the ferrying is done by two de Havilland aircraft, financed with Canadian export credit.

A 150 km railway crosses the Guajira desert from El Cerrejón's mine to Puerto Bolívar, the only sign of modern technology in an arid, sparsely populated landscape. It cuts through Indian lands and burial grounds, generating conflicts and claims that stalled construction work during 1983.

However, six months ago the first trainload of coal arrived in Puerto Bolívar, and some 3.5m tonnes is to be shipped out in the 90-ton wagons this year. When the system is working at full strength, there will be two trains carrying more than 8,500 tonnes each.

Floodlights at the mine allow the electric shovels and 154 trucks to work around the

clock. For every ton of coal, six tons of earth and rock must be removed.

Reserves in this northern zone of El Cerrejón, which are only a fraction of the total area, are estimated at 1.8bn tonnes to a depth of 200 metres. Coal is being trucked to a small crusher and transporter for loading into rail cars, but two 75 metres silos that will start operating in 1986 already dominate the skyline.

Colombian industry has a major role in the project. Soon after work began in 1980, a stream of complaints appeared in the local press criticising lack of opportunities for Colombian companies, so Interco adopted policies favouring national industry.

Quickly

Carboel's manager in Barranquilla says: "One of the biggest challenges was the maximum inclusion of Colombian companies, as that meant some delays and quality problems. Just about every Colombian company with the capacity is involved in El Cerrejón, and it has been a big boost for industry."

The production phase of the contract between Interco and Carboel runs for 23 years (to 2003), after which all the installations revert to Carboel. The two companies—one a multinational operator, the other a young state enterprise—have different views on a number of issues, but an advisory group helps to keep Carboel informed of project developments so decisions can be made quickly.

An independent U.S. company, Fluor, also advises Carboel on technical matters, and brings in experts when problems arise. President Belisario Betancur's personal interest in El Cerrejón, and the Government's firm commitment have disentangled some of the worst red

tape, such as speeding import permits.

The project is close to completion (January 1986 is the official deadline) so attention is being focused on international demand and coal prices. Interco and Carboel split El Cerrejón's production 50/50, and each company markets its share (though Interco pays a basic 15 per cent royalty, and more if earnings exceed certain levels).

Carboel has an active marketing team, and Mr Lora Telcher, its leader, is optimistic about the sales outlook. Contracts cover 1985 and most of 1986 production from El Cerrejón, with plenty of interest for the longer term.

El Cerrejón produces a high-volatile bituminous coal with low ash and sulphur content, well located for the eastern U.S. and western Europe markets. The integrated mine-port operation should ensure stable supplies and large shipments will help keep costs down.

Carboel has signed agreements with the Electric Fuels Corporation of Florida and Carboel of Spain, while Interco's contracts include Elsam (Denmark) and the Electricity Supply Board of Ireland. More than a dozen countries are among Carboel's clients, and discussions for future sales have ranged as far afield as Japan, Sweden and Israel.

The initial production target for the northern zone is 15m tonnes a year, but this may be raised to 25m tonnes if the market is strong. The signs are that Colombia will be able to capture a good slice of the world coal trade, but projections of earnings are much more modest than they were when the project got under way.

Even so, El Cerrejón should be bringing in US\$950m a year at the end of the decade, and much of this income will remain in state hands.

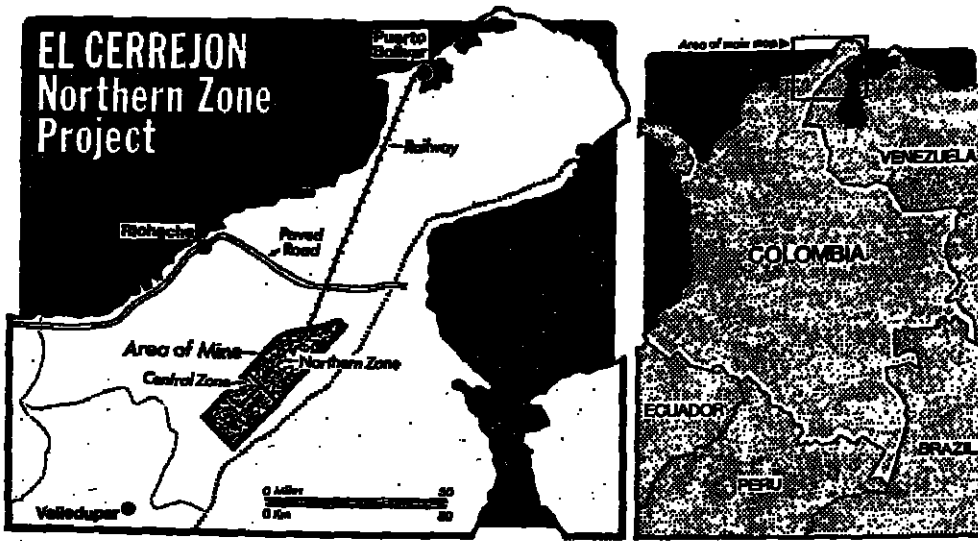
Colombian coal exports

	1984	1985	1986	1987	1988	1989	1990
Cerrejón Norte (m tons)	0	2.30	6.16	9.00	12.00	15.00	15.00
Carboel	0	1.15	3.08	4.50	6.00	7.50	7.50
Interco	0	1.15	3.08	4.50	6.00	7.50	7.50
Cerrejón Central (m tons)*	0.35	0.72	0.80	0.90	1.00	1.00	1.00
Other projects (m tons)*	0	0.23	0.28	0.30	0.30	0.30	0.30
Total (m tons)	0.35	3.34	6.96	10.10	16.10	20.10	21.10
Price (U.S.\$/ton)	41.5	38.2	42.0	44.9	48.1	51.5	55.1
Exports value (U.S.\$/m)	14	121	292	454	774	1,034	1,162
Remittances (U.S.\$/m)	2.2	5.2	12.1	32.9	112.5	131.7	131.7

* In September 1985 this project may be suspended for two years. Consequently, these projections conservatively assume that no production occurs in 1986-87.

§ Remittances of Interco.

Source: Colombian Government



Potential for exports

Coal
SARITA KENDALL

IF COLOMBIA is to reach its target of taking 10 per cent of the world's steam coal market by the end of the century, El Cerrejón will be only one among several large mining projects.

Estimates covering seven of the country's 35 coalfields put reserves at 16.2bn tonnes—more than half the total for South America. Although there is both steam and coking coal, the main coking deposits are far inland, in the Andes north of Bogotá, and a large export operation would depend on big transport investment.

Until the opening of mining of El Cerrejón's central and northern zones began, coal production was generally primitive and inefficient, with small and scattered excavations. Some 500 tonnes a year supplied the local market, and a little was left for export.

Once the decision to start developing coal reserves had been taken, Carboel recognised the need to try and encourage domestic consumption, otherwise Colombia would be in the risky position of exporting 80 per cent of production by 1990—and even more towards the year 2000.

But little has been achieved. With the oil discoveries in the lanes (flatlands), substitution programmes lost impetus, while pricing policies reflect other priorities.

Industry—including cement, steel and textile plants—now uses about 2.5m tonnes a year, and future growth will be limited.

Electricity generation, on the other hand, could absorb more steam coal if, as is likely, the Government chooses to postpone expensive hydro-electric schemes and fill the gap with smaller, thermal power stations.

Several of Colombia's richest steam coal deposits are near the Caribbean coast, excellently placed for the export market.

Apart from the northern zone of El Cerrejón, Carboel is also looking ahead to the development of other areas. However, the failure of the central zone project at El Cerrejón is a big setback. The operation proved too costly at current international coal prices, and Carboel cut short the four-year contract with the Dom-Auxim-Prodeco group.

This year's central zone production is to have been 1.5m tonnes, part to supply the nearby Termogujira power station and part for export. Such a small venture and high transport costs became uneconomic at prices under US\$40 a tonne.

Carboel has been discussing larger operations—up to 5m tonnes a year—with French, Italian and Spanish companies as well as Shell Coal. Reserves in the central zone are ample (600m tonnes down to 150 metres) and the hope is that a new contract will be signed up before the end of the year.

Up to now coal has been trucked to the coast, and Carboel is looking for an alternative. The most obvious answer is the extension of the railway from the northern zone of El Cerrejón, about 20 km away. Some central zone coal has already been taken out this way, using trucks for the first stretch, but once the northern zone is in full production an agreement between Carboel and Interco may be more difficult.

Another solution, a slurry pipeline to the nearest point on the coast, is being studied by a Dutch group. Foreign companies have also

Pricing policies under fire

COLOMBIA's electricity sector is going through a shake-up, says Sr Ivan Duque Escobar, Minister of Mines and Energy.

"It is very complicated. We have to arrive at a completely new framework to guarantee future financing. The sector has 27 per cent of the foreign debt and is strongly affected by high devaluation," he says.

Electricity will absorb US\$322m this year, a quarter of foreign credit disbursed, and next year's figure is \$222m. Most of the dollars come from the World Bank and the International Development Bank, and both have been critical of the way the sector is run—particularly of pricing policies which make it impossible to raise local funds for investment.

The Government has been forced to find money from the commercial banks to finish generating projects delayed by financial problems, thus increasing costs even further.

Although Colombia has considerable potential, the variable rains and bad droughts sometimes reduce generating power to a fraction of capacity. Greater care is being taken to protect watersheds by planting trees, and strong ecological lobbies have begun to influence planning. The Urra scheme in North-west Colombia has been postponed largely because of financial pressures but also for environmental reasons.

Several of the big hydro-electric projects for the late 1980s and early 1990s have been put off. This means that plans to export electricity to Central America must also be shelved, though all the plants under construction will go ahead.

With lower economic growth rates, the rise in demand for electricity has fallen to 6 per cent a year and the Government is considering the construction

Electricity
SARITA KENDALL

of smaller thermal plants. These play an important part in the national grid system when reservoirs are low and there is no lack of coal to fuel them.

Hydro-electric power accounts for about two-thirds of Colombia's generating capacity (6,000 megawatts) and the proportion will continue to rise towards the end of the century. Schemes coming into operation over the next five years will add nearly 4,000 Mw, while new coal-fired power stations contribute barely 400 Mw.

There are no oil or gas plants on the books, and these will be installed only in small towns isolated from the national grid. Nor are there any immediate plans for atomic energy, though Colombia has begun to explore uranium deposits.

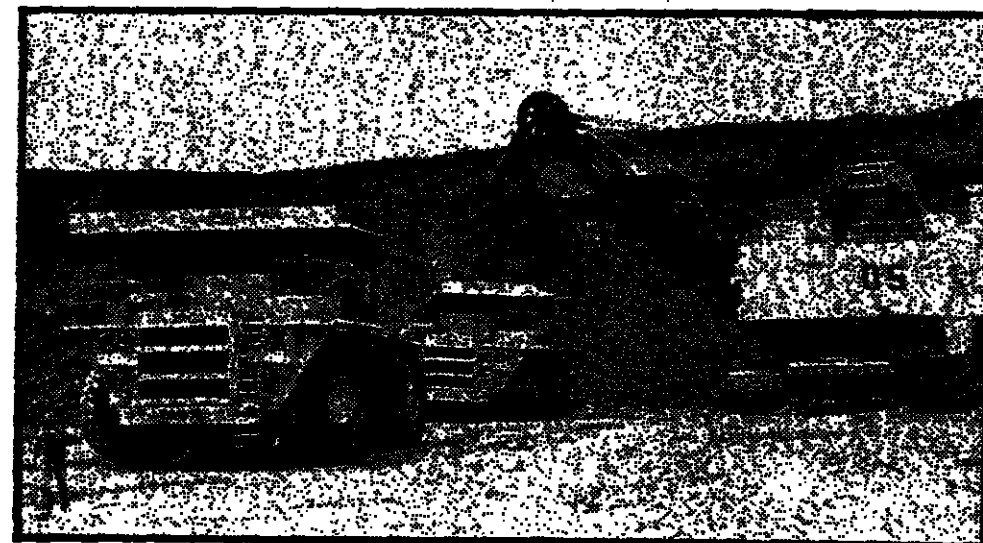
In spite of plentiful oil, coal and water reserves, the Government is also encouraging the development of alternative energy sources, including solar energy. Some housing estates have been fitted with solar panels for water heating, and small farmers can obtain low interest credit for solar devices.

The drop in sugar prices has given impetus to ideas for substituting alcohol for petrol. Sugar cane growers suggest that some 10,000 to 15,000 hectares of high-yield cane plantations in the Cauca Valley should be turned over to alcohol production, but they are waiting for the Government to fix a price that would make an investment in distillation profitable. A fuel mix of 15 per cent alcohol and 85 per cent petrol could be used without modifications to car engines.

Ecopetrol has also been experimenting with gas-fueled vehicles on the coast and plans to expand the programme. This would help reduce petrol imports, at the same time providing an outlet for natural gas produced in the Guajira peninsula. The Government would like to step up exploration for natural gas, but one obstacle has been the lack of market. Villavicencio in the Llanos, will soon have gas piped from Ecopetrol's Apaya field and Ecopetrol could also be supplied if reserves are sufficient.

Although costly oil imports have forced Colombia into substitution, little attention has been given to efficiency and conservation of conventional energy resources. Low petrol prices of 65 U.S. cents a gallon keep up demand, and subsidies are accepted as politically necessary. Some 22 per cent of generating power is lost in transmission and distribution, yet rationing has to be imposed when the rains fail or a new project is late in coming.

The electricity authorities have grown into over-bureaucracies with large financial deficits, and rivalries between regions undermine national planning efforts.



Digging and loading coal at El Cerrejón mine

World Bank to the rescue

Finance
ROBERT GRAHAM

THE COMBINED cost of developing Colombia's two biggest energy projects—the Cabo Lindero and the Cerrejón open-cast coal mine—will be close to US\$3.5bn. These are big, capital intensive undertakings underlining the expense of development in Colombia, where poor infrastructure, great distances and awkward terrain add costs.

Colombia lacks the financial resources to have undertaken either of these projects on its own. A foreign partner providing capital and expertise, plus the backing of the World Bank, has been essential.

The World Bank has proved Colombia's greatest champion during the past three years, when foreign credit has been increasingly difficult to obtain. Its first development loan in Latin America was to Colombia. The presence of a major international partner like Exxon in Cerrejón has reassured those bankers anxious over the viability of the project at a time of declining coal prices.

Colombia's foreign borrowing has had to be increasingly selective as the debt crisis has hit Latin America. Total foreign debt now stands at \$13.5bn, almost \$1bn up on 1984. By the standards of Argentina, Brazil and Chile this is small. Nevertheless, Colombia has a debt service ratio of 40 per cent, with total payments this year on principal and interest of \$2.16bn.

Obligations have been scrupulously met but it has understandably worried commercial lenders even when trying to invest in export-earning projects. The bulk of foreign borrowing is medium- and

long-term, especially public sector debt, which represents more than 85 per cent of the total. This has lessened the need to seek a restructuring.

The main increase in public sector borrowing occurred between 1980 and 1984, when medium- and long-term debt almost doubled to \$8.1bn. Not all this has been fully disbursed and borrowing primarily reflects the increased activity of Carboel and Ecopetrol.

During this period the electricity sector was receiving the greatest share of credit (21 per cent). This is explained by investments in power stations and hydro electricity projects which at the beginning of the 1980s were planned to cope with an annual increase in energy demand of 11 per cent a year.

The projection has since been cut to 6 per cent and scarce funds have been switched into coal and oil development. Over the next five years the latter, along with minerals (nickel)

will absorb 25 per cent of new foreign credit.

Where possible, successive Colombian governments have sought to obtain funds from government agencies and multilateral institutions. The World Bank is the most important, with \$1.9bn loans outstanding. Just over half the public sector borrowing is from official lenders, and by next year this will reach 63 per cent, with commercial banks providing only 25 per cent and suppliers the remainder.

Total public sector disbursements to be received this year are expected to be \$2.12bn, with \$2.26bn projected for 1986. However, limits on multilateral agency fresh funding and the latter's policies of encouraging commercial bank loans for viable export projects with foreign partners led Colombia to seek a \$1bn commercial credit this year.

It is the centrepiece of the country's 1985 borrowing and will increase commercial bank exposure in Colombia by almost 6 per cent. The loan will be disbursed over the remainder of this year and through 1986, once details have been finalised this month.

DEBT INDICATORS

	1980	1984	1985	1986
Total external debt	7.15	12.62	13.96	15.26
Medium/long term	(4.59)	(9.52)	(11.10)	(12.47)
To banks	(1.90)	(4.60)	(5.17)	(5.38)
Total debt service	0.94	2.01	2.16	2.30
Interest	(0.62)	(1.12)	(1.28)	(1.45)

Source: Ministry of Finance.

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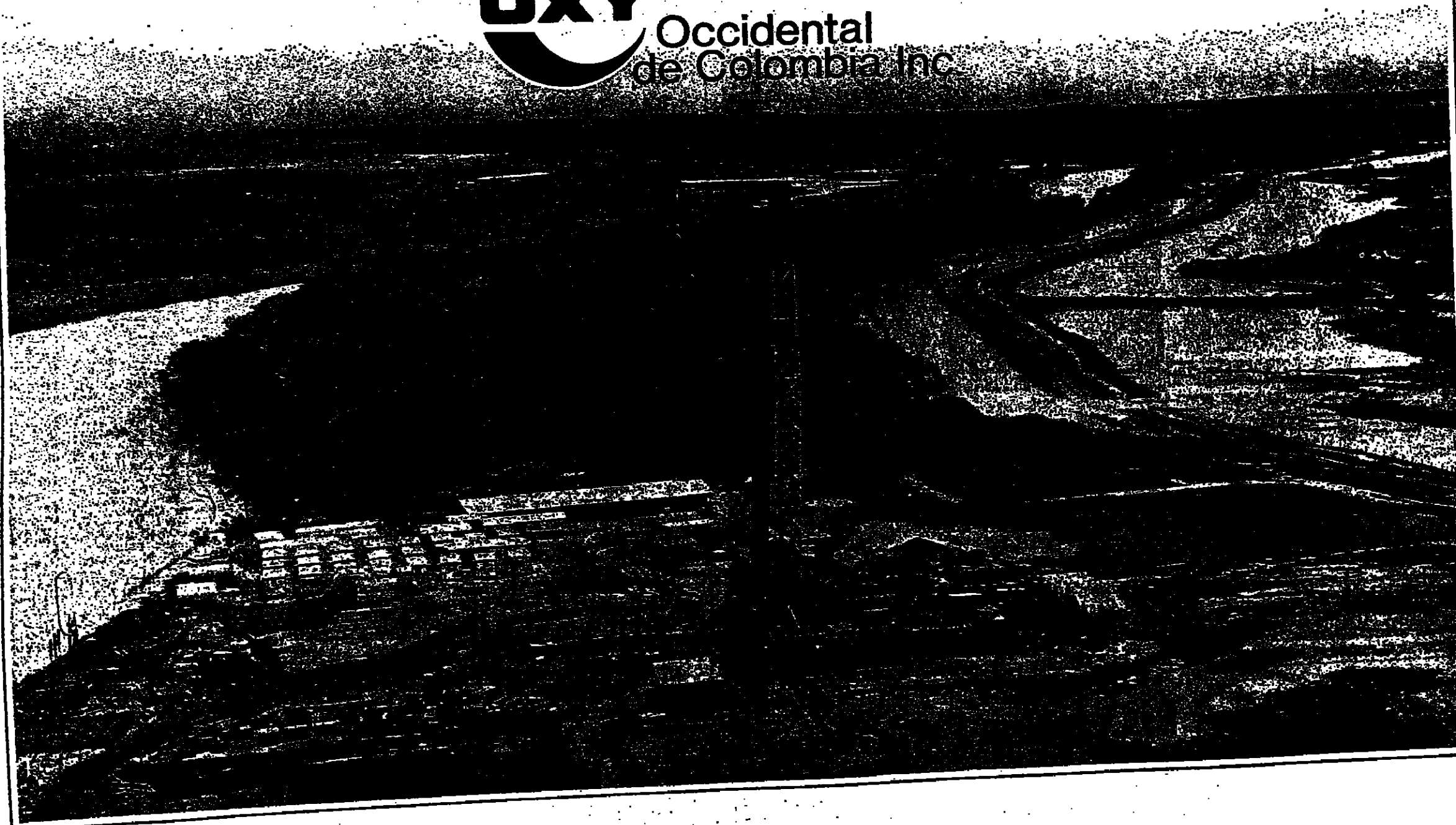
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COLOMBIA: Energy 4

Sarita Kendall examines the progress of the country's oil revolution and the activities of its international partners.

Clamouring for share of the action

Oil

COLOMBIA'S OIL priorities are summed up by Sr. Alfredo Carvajal, president of the state petroleum company: "We must continue to explore, and become self-sufficient as soon as possible." This self-sufficiency should come early next year, when crude from the new Caño Limón field begins to flow along the pipeline from the eastern plains.

And exploration is hardly flagging: there are more than 30 foreign companies in Colombia, and 30 exploratory wells were drilled in the first half of 1985.

So many companies have been clamouring for a share of the action that the Government is opening up the south-eastern Putumayo and Caquetá basins for exploration by foreigners. Initial responses have been positive according to Sr. Carvajal.

This is a gratifying change compared with 10 years ago. In 1975 exploration was virtually at a standstill, and Colombia faced ever-increasing import bills to compensate for a 7 per cent annual decline in crude production.

From 1921 when production began to 1974 the country exported about 100 barrels of crude, or just over half of output. Although Ecopetrol, the state petroleum company, was created in 1951 to give the nation a stronger stake in the oil business, the concession system continued to operate.

Only in 1974, when reserves were down to 600m bbls, did the Government start to make policy changes that would draw foreign companies back to Colombia.

Association contracts, modified exchange regulations and a new price structure proved to be successful incentives for exploration.

An association contract between Ecopetrol and a

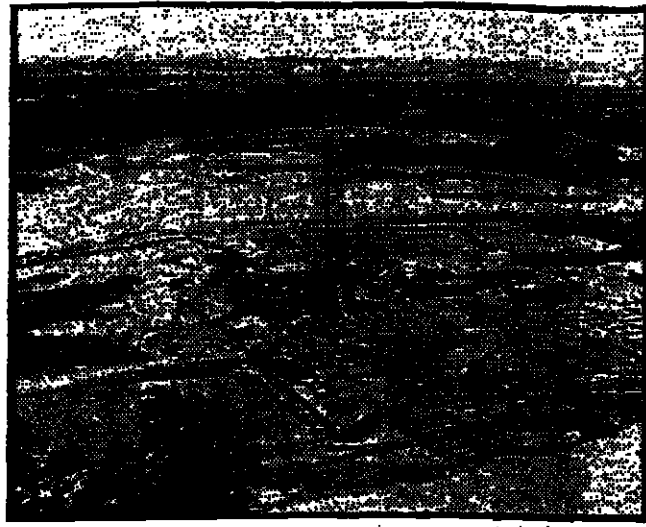
foreign company normally allows for six years of exploration, then 22 years production once a commercial field has been identified. The foreign company assumes all the risk during exploration but divides development costs 50/50 with Ecopetrol. There is a 20 per cent royalty for Ecopetrol, and the rest of production is halved, leaving the foreign company with 40 per cent and Colombia with the rest.

In addition, crude sold to national refineries by the foreign partner is paid at international prices. Colombia had the bad luck to become an oil importer just as the price of crude began to spiral upward, and Ecopetrol had to divert funds for imports. But foreign investment in exploration quadrupled to US\$220m between 1979 and 1981, and Ecopetrol's drilling programme expanded too. Although there were no spectacular finds until Caño Limón was discovered by Occidental, reserves were bolstered by some new fields in both the eastern plains and the Magdalena valley.

Drilling

Most of Colombia's oil has come from the middle Magdalena basin, sandwiched between the central and eastern Andean cordilleras. Ecopetrol's main infrastructure is concentrated here too, around the refining centre at Barrancabermeja.

With existing roads, towns and pipelines, exploration and production in the 1,500 km Magdalena valley are relatively low. Sr. Bernardo Toboada, Ecopetrol's vice-president for exploration, quotes Houston Oil's recent find in the upper basin as an example. Drilling is shallow and run at less than \$700,000 while a crude pipeline nearby can be upgraded as a result, production of about 10,000 b/d can get under way less than two years after the



Drilling at Caño Limón

association contract was signed. In the eastern plains, or llanos, it is another story. Exxon invested heavily in expensive deep drilling that had disappointing results. After spending more than \$120m on four 20,000 ft exploratory wells in Arauca the company decided to truck 3,500 b/d over the mountains in tankers even though Ecopetrol did not agree the field was commercial.

While drilling along the eastern Andean foothills is difficult because of the geology, exploration further out in the llanos is complicated by the lack of all-weather roads and a long wet season with widespread flooding. Even so, the llanos sedimentary basin is Colombia's "hot spot" and Ecopetrol's exploration map shows a patchwork of contracts.

"When the companies first started exploring the llanos years ago, they missed the smaller fields, like the ones discovered by Elf Aquitaine. Now seismic techniques are much advanced," Sr. Toboada says. For the same reason, there is still interest in the Magdalena valley. However, Ecopetrol would like to attract investment to riskier areas.

The Putumayo is already on offer with the added advantage that only a section of the capacity of the pipeline that crosses the Andes to the Pacific coast is in use.

Another area for the future may be the north coast of Colombia. Gulf is evaluating the whole northern region and may take up some new blocks. In mid-1985 Colombia's recoverable oil reserves were estimated at 1.25bn barrels, with Caño Limón accounting for nearly half the total. Crude

production has reached 175,000 b/d and will continue to go up. But the big jump in output will come when the new pipelines are ready — first Caño Limón, then the central llanos. Ecopetrol will be investing some \$120m in a 60,000 b/d line to transport crude from Casanare and Meta (including the state company's Aplay production) across the eastern cordillera to connect with the Magdalena valley system.

Capacity can be raised to 100,000 b/d if, as expected, there are new discoveries in the central llanos.

By the second half of next year, production should be near 300,000 b/d, compared with a domestic consumption rate of about 250,000 b/d. Not only will self-sufficiency be assured but Colombia will become a crude exporter again. In 1987 exports should be more than 150,000 b/d, though without new finds they will start dropping off again after 1990.

Because Colombia's refining capacity is less than 200,000 b/d, petrol imports will continue. These are more than offset by exports of fuel oil.

The change in the oil trade balance will be a great financial relief for Ecopetrol, which has been hit by the high devaluation rate and low fuel oil prices. Last year's dollar surplus is once again being eroded, and the company projects losses of \$30m for 1985. These should, however, be converted into a \$1bn profit in two years.

The state company's foreign debt reached \$32m in April and the Caño Limón project will absorb nearly \$700m. Other investments include \$154m for exploration over the next three years and improvements in refining and pipelines.

Tough task for explorer partners

Caño Limón

THE long rainy season in the llanos turns the River Arauca into a muddy torrent that sweeps away a section of road. Heavy rains also churn up the narrow route down the Andean cordillera and landslides strand lines of trucks loaded with fuel, pipes and cement.

Transport is the biggest headache at Occidental's Caño Limón camp. Work can go on only if materials get through. Barges, planes, helicopters and even mules keep them arriving, and the project is going ahead at an astounding rate. Three rigs are drilling near Caño Limón, the crude pipeline has advanced into the cordillera, and welders are working on the storage tank at the first pumping station.

Caño Limón was a big discovery even by international standards, and it has nearly doubled Colombia's proven reserves. Though Ecopetrol quotes a more conservative recovery rate (45 per cent) than Occidental, 600m barrels are enough to put the country back in the export league.

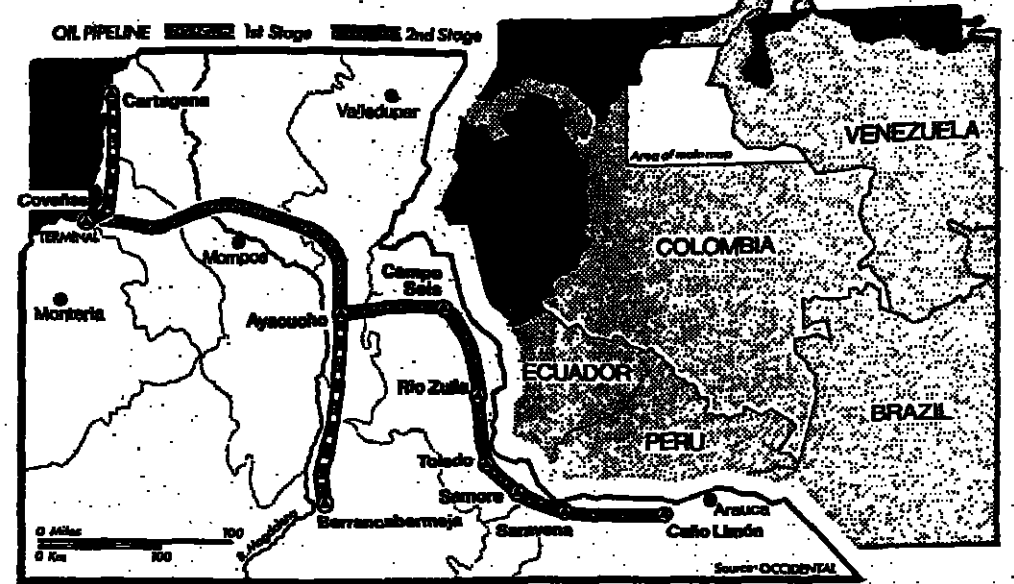
When Royal Dutch Shell took over half of Occidental's holdings in the area through the U.S.\$1bn purchase of the Colombia Cities Service Petroleum Corporation, the deal was well received. As the president of Ecopetrol put it: "It confirmed the size of the discovery for Colombians, and it is always better to have two strong partners than one."

Drilling at Caño Limón is fairly straightforward, and on average 1,000 ft takes about three days. The crude varies from 25 to 35 API viscosity at 8,000 ft and each well costs about U.S.\$3m. Occidental has a fourth rig drilling further south-west at Rondon, which should help define reserves more exactly. Fuel for the operation has to be lifted in daily by helicopter.

Oil imports and exports

(Values in US\$bn)			
Imports	1982	1983	1984
	564.3	624.1	445.6
Exports	349.6	438.7	491.4

Source: Ecopetrol.



A 300 km pipeline from Caño Limón to Rio Zulia should be ready this year and exports start once the section to Coveñas is complete

Although the road westward to Saravena in the Andean foothills is serviceable, the 30 km eastward to Arauca is sometimes washed out.

This short stretch is an important one, not only for Occidental, which financed it. The city of 30,000 people has been cut off from the rest of Colombia, developing strong links with Venezuela. A bridge spans the River Arauca to Venezuela, while Cúcuta, Colombia's main mountain border town, can be reached in three hours along Venezuelan roads compared with 10 when passable the other way.

Most of the vehicles in Arauca carry Venezuelan number plates (they are cheaper) and even the electricity comes across the frontier. Colombia's cattle, scattered over the unfenced plains, find a good market in Venezuela. Yamaha engines power the Arauca river launches, known as voladoras or flyers. Just across from the Venezuelan warehouse stands out.

Venezuela is also drilling the other side of the Arauca river, with its operations reserves reported in the Guadua area. Information is being exchanged and the two nations have agreed not to drill within 500 metres of the border. Along the river, slow barges carry machinery and materials to Caño Limón. A Belfast cargo plane has been sent out by Heavylift from the UK to transport equipment for

the first pumping station from Barrancabermeja to Arauca. The pumps, made by Ingersoll Rand (UK), are driven by W. H. Allen engines, and the whole unit weighs some 65 tons. Occidental with six generators sets for the production facilities, bringing the company's share in the project to some \$12m.

Foundations for the pumps are being laid (even the gravel has to be trucked in from Saravena) and a network of lines will carry crude from Caño Limón, La Yuca and Matanegra to the production centres. Full production planned at 200,000 b/d will be reached in 1987, but exports can begin as soon as the pipeline connecting Rio Zulia to Coveñas is complete. Bechtel is starting work on this section.

The 300km line from Caño Limón to Rio Zulia should be ready at the end of this year and carrying 60,000 b/d by early 1988. The West German company Mannesmann is responsible for construction on this section with IMEG providing the design and part of the equipment.

Apart from the physical problems created by swamps and an 8,800 ft mountain pass, Mannesmann has been plagued by strikes, kidnaps and guerrilla threats. There have also been attacks on camps and helicopters, while the main bridge on the road from Saravena was blown up recently.

"Some of these towns are wild places, and the guerrillas are very obvious and vocal," says one foreigner working in the area.

The army and the Colombian Farmers Society recently accused foreign companies of paying off guerrilla groups in the region, a practice that is not unusual among nationals. The Castroite National Liberation Army (ELN) is particularly active in the foothills of the eastern cordillera, and nearly all the contractors have come face-to-face with guerrillas at some stage.

Generally, their policy is to co-operate with the local population, paying good rates for labour and helping out with health, education and infrastructure projects.

The regional governor, Col. Barragán, supports this attitude. "The companies have behaved well on the whole, but it is important that they get in touch with the authorities and show openly what they are doing," he says.

In spite of the employment boom, he sees little benefit for Arauca so far. This will come once production is in full swing and royalties are financing social and economic development.

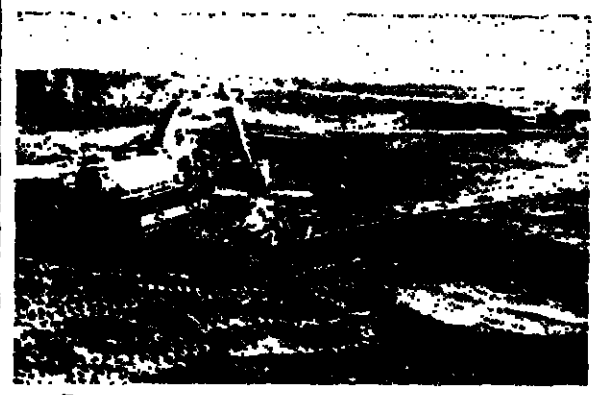
Investment in this vast, isolated region of Colombia must eventually reduce the guerrilla problem, too.



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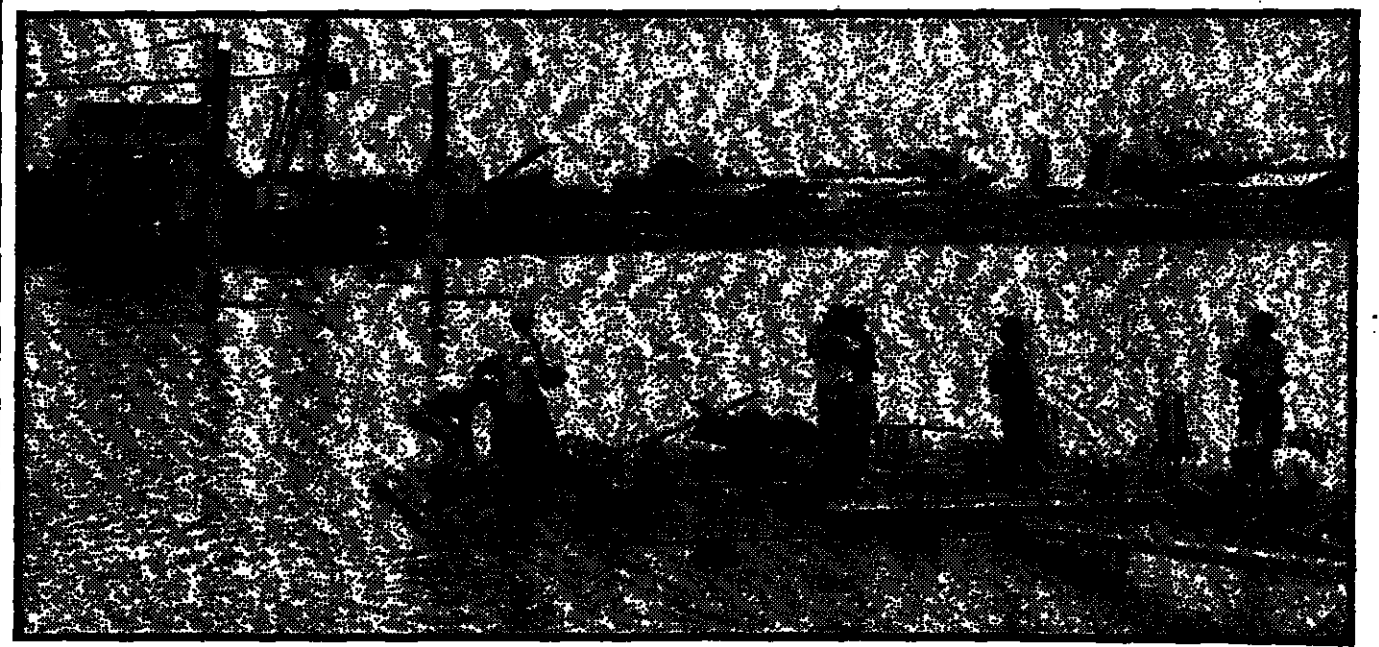
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Driving pylons into the river at Caño Limón for a bridge

PROFILE: ELF-AQUITAINE

BY PAUL BETTS

Transport handicap limits output

THE SMALL town of Yopal in the foothills of the Andes where the Colombian llanos (flatlands) start stretching out to the Venezuelan border has been undergoing a transformation. From a hamlet of about 500 people living mainly off the cowboys and farmers of the llanos, Yopal has become a boom town during the past 10 years.

The discovery of oil has led to growing activity with Jeeps bustling through the town, regular arrivals of small planes at the tiny airport, and difficulties finding a room in the two hotels.

The town has assumed a cosmopolitan quality as the oil exploration and production centre of Elf-Aquitaine, the state-controlled French company which has been drilling in the area since 1972.

Colombia is still a small play compared with Elf's operations at Lacq in France, in eastern Africa and in the North Sea. But it is, nonetheless, important.

Colombia is the only country in South America where Elf has oil exploration and production operations. The French company is also tripling its Colombian budget this year from US\$5m in 1984 to \$15m this year. It will continue to spend about \$15m to \$20m in each of the next three years.

Elf was attracted to Colombia in the early 1970s because of the stable and diversified economy compared with other

South American countries and the oil potential in a large unexplored province in the llanos. It also saw geological similarities between the llanos and the Canadian province of Alberta. Both are at the foot of the same mountain chain of the Rockies/Andes.

The company discovered oil in its first attempts near Yopal in 1972. But the cost of transporting from the llanos over the Andes to the nearest refinery was prohibitive at a time when oil prices were still low. Elf decided to look for oil elsewhere in Colombia but its efforts in the north and in the centre of the country were disappointing and its went back to the llanos.

Small discoveries encouraged Elf to persevere in spite of the transport handicap. The area became even more interesting after discoveries by other oil groups, including one by Exxon near the Venezuelan border.

The Exxon find, originally expected to produce up to 50,000 barrels a day, proved ultimately disappointing. But interest in the llanos has again been revived by the discovery last year of the giant field of Caño Limón by Occidental Petroleum near Exxon's earlier find.

Caño Limón is expected to produce about 1bn barrels of oil, although some more conservative estimates by the Colombian Government put the figure at 600m to 800m barrels. Caño Limón has clearly had

an influence on all of us," said an Elf official explaining the renewed interest in the llanos.

The problem for Elf remains the transport of crude to the refinery at Barrancabermeja. The oil is carried by large trucks on a 600 km journey from Yopal up 3,000 metres over the Andes to the refinery. The trucks carry 200 barrels of oil each on the dirt track across the Andes. The journey, when not interrupted by landslides, can take six days or more. There are not enough trucks because Colombia has imposed stringent import restrictions as part of its economic readjustment programme and defence of foreign exchange reserves.

The transport handicap has restricted Elf oil production to about 6,000 barrels a day. Ecopetrol, the Colombian state oil group, also produces a modest 5,000 barrels a day at Aplay, which must also be transported across the mountains. Elf and Ecopetrol could be producing between 30,000 and 50,000 barrels of oil a day if it could transport it to the refinery.

There are plans to build a US\$150m-\$200m pipeline across the Andes. It would be the highest pipeline in the world. But the project has faced delays over the award of contracts and cost estimates.

It was due to come on stream by the first half of 1987 but Elf now expects completion by the beginning of 1988. The pipe-

line will have a capacity of 50,000 barrels a day, which could be doubled by additional pumping stations.

The pipeline is crucial for Elf. But while waiting for the project to get off the ground, it has hopes of finding a larger field in the foothills, although wells will be more expensive to drill. The company would like to find a 50,000 or even a 100,000 barrels a day field.

Apart from the transport problem, Elf does not appear as concerned by security and guerrilla activity as some of the other oil companies, especially the Americans, and international groups working in the llanos. There have been kidnappings by guerrillas of engineers or managers but Elf says it has never had any trouble.

The big military garrison based at Yopal provides some comfort. The llanos around Yopal is not thickly vegetated, making it difficult for guerrillas or bandits to hide from searching helicopters. This is not so further north. The French company is very careful and takes all precautions in an area which is still a frontier.

Sr. Segovia Salas, former chairman of Ecopetrol and now Public Works Minister, said when asked about the kidnapping of a West German engineer near Caño Limón that building a pipeline in the llanos is not the same as building one in the Champs Elysees in Paris.

JOBS COLUMN

Extra load on export-generating executives

BY MICHAEL DIXON

MANAGERS AND specialists working abroad often complain that their export-generating efforts get forgotten by company headquarters, especially when promotions are being decided. But I am sad to say that something worse has apparently now befallen key expatriates employed by British companies. Their export efforts seem to have been forgotten by their home country's Government.

As a result they are no longer "out of sight, out of mind" to their company headquarters. They are being thought about with great concentration — although, unfortunately, not in a way guaranteed to make home-based senior managers' hearts grow fonder of their absent staff.

What has stimulated the present thinking about expatriates is the British Government's decision to change the rules governing the contributions paid by organisations towards employees' National Insurance.

Hitherto there has been a "ceiling" on the amount employers had to hand over on behalf of each staff member. A level was set in the middle range of earnings, beyond which organisations could pay staff higher and higher rewards without their costing the employer anything extra by way of National Insurance contributions.

But from early October the

National Insurance ceiling is to be abolished. Where better paid staff are concerned, the employer will have to hand over an NI contribution amounting to 10.45 per cent of all their earnings, no matter how highly they are rewarded.

At the same time there will be cuts in the employers' NI contributions on behalf of staff on the bottom rungs of the pay ladder. The Government hopes that the change will increase the number of jobs available at lower levels.

While welcome to many companies — as well as to unemployed young people — in Britain, the change is bad news to others. They include employers in high-paying sectors such as banking and those whose operations are concentrated in places where living costs are expensive, like London. For the rewards on which the successfully higher National Insurance contributions are to be levied include not just standard salaries and so on, but also London allowances and other extra payments on account of high living costs.

Several chiefs of London-based concerns operating solely in the United Kingdom have told me that, as the net effect will be a rise in costs they cannot afford to pass on to customers, they will have to get rid of some longer serving staff. But the burden will

evidently be far worse for companies importantly dependent on expatriates' efforts in markets overseas.

An illustration of the effect has been sent in by the Employment Conditions Abroad consultancy, which last week had discussions with worried representatives of 18 UK companies with appreciable numbers of expatriates throughout the world.

Someone earning £20,000 a year in Britain who is sent to generate export business in the United States will need to be paid a total of about £68,000 in salary and allowances, all of which will be subject to the new National Insurance rules. Before the impending change the employer's NI contributions on that expatriate's behalf was £1,440. From October 8 it will be £8,792 a year.

It is true that, for British staff working in countries other than the U.S., the corresponding increase in the costs of employment will in most cases not be as great. But the overall effect on the companies which took part in last week's discussions will still be substantial, ranging upwards from a minimum increase of nearly £70,000 towards £1m a year or even beyond.

Several are evidently now thinking of setting up associate companies abroad or special offshore bureaux to act as the employers of their British

expatriate staff. Meanwhile they are pondering certain questions. Can it be that a Government which publicly professes to encourage its country's companies to sell more overseas, nevertheless intended to blunt their competitive edge by afflicting them with increased costs? Or did Ministers' anxiety to generate more low paid jobs at home lead them to approve the changes in NI contributions without thinking through the implications for export performance?

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In your mid-20's and educated to at least a 2nd degree standard in law, you will have a good knowledge of UK, US and EEC legislation and the ability to draft, check and amend legal documents. In addition, you will be fluent in at least one foreign language (ideally German), will have the personal skills to negotiate directly with clients and will be prepared to travel as required.

A competitive salary and benefits package will be provided. Please send your CV to: Mr. B. Johnson, PER, 319-327 Chiswick High Street, London W4.

PER

Britain's Largest Executive Recruitment Consultancy

PORTFOLIO MANAGER - DUBLIN

The Investment Bank of Ireland Limited is a wholly owned subsidiary of the Bank of Ireland. Its investment department is the leader in its field. It manages a wide range of funds on behalf of insurance companies, pension funds, units trust, charities and private clients. Funds under management are in excess of £1,000 millions.


IBI now seeks to recruit a Portfolio Manager who will monitor the performance of its unit-linked funds. The existing portfolio is in excess of £250 millions.

The successful candidate will be expected to manage a wide variety of investments—international and domestic fixed interest securities, equities and other financial instruments. They will be individuals of high calibre. They will also have an extensive knowledge of the financial services industry and their experience will probably have been gained in a merchant bank, insurance company or a stockbroker. A knowledge of Capital Gains Tax and statutory regulations affecting unit linked funds will be an asset. The position will be attractive to an energetic, innovative and ambitious person who desires to live and work in Dublin.

The salary for the above position will be extremely competitive and will reflect the importance of the position. In addition we offer fringe benefits normally associated with a major financial institution.

Please write, in complete confidence, enclosing details of career to date to:

Mr F. J. Healy,
Associate Director—Personnel,
The Investment Bank of Ireland Limited,
26 Fitzwilliam Place,
Dublin 2.



الرياض
RIYAD BANK
International Division

Riyad Bank, a leading Saudi Arabian Bank, seeks to fill the following positions at its Head Office in Jeddah.

Affiliates, Subsidiaries and Branches *circa US\$60,000*

The position will assist and process credit applications affecting affiliates, subsidiaries, foreign branches and representative offices and co-ordinate all activities between them and the different departments within the Head Office. Responsibilities include briefing the Bank's nominee directors for board meetings of affiliates and subsidiaries and contributing to feasibility studies for foreign representation.

Head of Risk Analysis *circa US\$55,000*

This position will be responsible for analysing and monitoring the economic and financial situation of countries and recommending country limits. The function includes monitoring and conducting in-depth and thorough analysis of banks' financial statements and other measures of performance.

Marketing and Credit Officer *circa US\$50,000*

The successful candidate will solicit, develop and sustain international customer relationships. The officer will market syndicated loans and contribute to the development of other financial products. Experience in the delivery of wholesale banking services is required.

A fully competitive package will be offered to the successful candidates. Bankers with suitable qualifications, motivation, adaptability and experience are invited to submit their applications, in strict confidence, to:

The Chief Manager, Riyad Bank, London Branch,
Licensed Deposit Bank, Temple Court, 11 Queen Victoria Street,
LONDON EC4N 4XP.

PORTFOLIO MANAGER
— DUBLIN

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The salary for the above position will be extremely competitive and will reflect the importance of the position. In addition we offer fringe benefits normally associated with a major financial institution.

Please write, in complete confidence, enclosing details of career to date to:

Mr F. J. Healy,
Associate Director—Personnel,
The Investment Bank of Ireland Limited,
26 Fitzwilliam Place,
Dublin 2.

International Finance Executive

Our client, a major international organisation, is seeking a Finance Executive to concentrate on arranging finance for a broad range of major international capital projects.

Reporting to the Commercial Director and based at headquarters in London, you will have ample scope to display your influential personality and entrepreneurial flair in negotiations at top level. You must, of course, expect to undertake extensive overseas travel.

Probably in your thirties and appropriately qualified, you will be a first class communicator with substantial relevant experience in areas including international fund raising, business investigation, market analysis, corporate lending and asset-based finance. Your first hand knowledge will also cover E.C.C.D. operations, government support facilities and international development agencies.

A salary that fully reflects the importance attached to this appointment is freely negotiable. Benefits include a company car and expenses and our client also offers very attractive long term career prospects.

Please write in the first instance, enclosing a copy of your full c.v., to Confidential Reply Service, Ref: ASI 9258, Austin Knight Advertising Limited, London W1A 1DS.

Applications are forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Confidential Reply Supervisor.

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SCRIMGEOUR VICKERS AND CO.

FUND MANAGER

Scrimgeour Vickers and Co., which is now associated with Citibank, is a leading stockbroking company with a reputation in the field of fund management.

We require an additional Fund Manager to join the department. He/she will be required to assist in the management of the investment of pension and charity funds for our clients and will also be required to take responsibility for a number of these funds.

Applicants should be well experienced in fund management and will probably be aged 40+. They should have the presence to deal with all levels of staff within both Scrimgeour Vickers and Co. and client organisations.

This is a senior post within the department and the salary and benefit package will reflect its importance.

Please write, enclosing full curriculum vitae, to:

The Personnel Manager
SCRIMGEOUR VICKERS SERVICES LIMITED
Regis House, King William Street, London EC4R 9AR

International Law Specialist

With an expanding in-house facility for drafting the documents required for Eurobond issues, our clients - a leading international investment bank - need an experienced Legal Document Specialist.

In your mid-20's and educated to at least a 2nd degree standard in law, you will have a good knowledge of UK, US and EEC legislation and the ability to draft, check and amend legal documents. In addition, you will be fluent in at least one foreign language (ideally German), will have the personal skills to negotiate directly with clients and will be prepared to travel as required.

A competitive salary and benefits package will be provided. Please send your CV to: Mr. B. Johnson, PER, 319-327 Chiswick High Street, London W4.

PER
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The recent merger of Addison Communications and Michael Page Partnership has created in Addison Page a substantial, broadly based corporate and financial communications group whose services encompass executive selection, recruitment, employee communications, advertising, design, marketing and public relations.

We wish to appoint several new consultants into our Executive and Industrial/Commercial recruitment divisions. Candidates should be graduates, aged 25-35, articulate, presentable, ambitious and capable of reaching a management position within the group in 2 years. A relevant accountancy background is essential and an appropriate qualification would be of interest.

An excellent remuneration package includes high basic salary, quarterly bonuses, an employee share scheme, private health care and a company car. For further information please contact either Peter Morris or Andrew Sales on 01-405 0442, or write to Michael Page Partnership, 31 Southampton Row, London WC1B 5HY.

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BADENOCH & CLARK

SENIOR MANAGER PENSION FUNDS
To £35,000

Our client is the Investment Management arm of a major British Bank, well positioned to take advantage of current changes in the City. As a result of re-organisation and continued expansion they are seeking an experienced Manager, probably in his/her 30s, with a proven track record in UK Equity portfolio management. In particular, interested applicants will be able to demonstrate the skill and personality to liaise successfully with clients, to make presentations and to develop new business. This represents an excellent opportunity for career progression within a prestigious and rewarding environment.

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£16,500 - £35,000 + Substantial Benefits

We are acting on behalf of a number of clients who include some of the City's most successful Merchant Banks and Stockbrokers. As a result of continuing expansion and development of their corporate services, they seek additional Executives and Managers to join their Corporate Finance departments. At executive level, we welcome applications from Solicitors or Chartered Accountants, aged up to 32, who are keen to make a career move. Experience of corporate finance related matters from a practice standpoint, while an obvious advantage, is not essential but candidates will be expected to demonstrate an appreciation of the nature of the work involved.

For the Managerial positions, experience within a financial institution of mergers/acquisitions and/or new issues work is essential. To discuss these positions or to find out more about our comprehensive range of opportunities in Merchant Banking, Stockbroking and Fund Management, please contact our City recruitment team: Robert Digby, Christopher Lumsden or Stuart Clifford.

Financial Recruitment Specialists
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Telephone 01-583 0073

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The General Auditing Department of The Chase Manhattan Bank, NA, is responsible for auditing the rapidly expanding merchant banking activity in Europe. We offer a wealth of opportunities for qualified accountants and bankers with experience in merchant banking or stockbroking.

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- ★ three or four years post-qualifying experience in a major accounting firm, a merchant bank or a stockbroker
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- ★ excellent written and oral communication skills, as well as the ability to deal with senior management

Applicants are asked to call Shelagh Arnell, at ASB Recruitment on 248-0820, or send c.v.'s to her at 52/54 Carter Lane, London EC4V 5AS.

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RESEARCH - EUROPE

We are a London firm of stockbrokers, associated with Banque Bruxelles Lambert, Brussels and Banque Louis Dreyfus, Paris.

Research into European companies and stock markets is now one of our top priorities and we are seeking to recruit both experienced investment analysts and graduate trainees. Excellent clear written English and a good working knowledge of French are both essential.

Attractive remuneration packages are available but, more importantly, this is a career opportunity for self-motivating individuals.

Apply in confidence to:

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II

INSURANCE CREDIT MANAGER—£20,000

Major broker in Essex requires a person with an in-depth knowledge of Reinsurance to sort out closed accounts with reinsurers with whom they no longer place business and to collect the balance due. Essential requirements are experience, negotiating skill, personality, willingness to undertake limited travel anywhere in the world and leadership ability. The person appointed will build up a small team of two or three executives with similar backgrounds.

Salary £20,000 plus Car, BUPA and Non-Contributory Pension
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The successful candidate will have at least three years' experience within the UK lending sector and preferably be an AAB. An in-depth knowledge of credit analysis and all types of documentation including security documentation is essential. A knowledge of German will be an advantage. The appointment offers a high level of responsibility and career growth.

Doc. Credits/Loans Admin. Clerk

Minimum three years' experience within Documentary Credits area and a sound knowledge of Loans Administration. Attractive benefits package includes non-contributory pension, private health scheme and low-interest housing loan.

Please write enclosing CV to:
HYPOBANK AG
Bucklersbury House, 3 Queen Victoria Street, EC4N 4HA
Write Box 49103, Financial Times
10 Cannon Street, London EC4P 4BY

**GENERAL MANAGER
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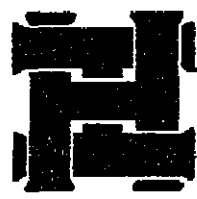
Budgeted expansion plans now demand a young (28 to 40) recruitment professional with at least five years experience in accountancy/finance recruitment, to head our Accountancy division.

To match our requirements you will need in addition to the consultant's entrepreneurial flair;

- Accountancy/Financial qualifications
- Sales and Marketing expertise
- Managerial experience and ability of a high calibre

In return we offer an unrivalled career opportunity with the full financial and technical support of a perceptive public company.

Please write in the first instance enclosing a 'brief C.V.' to
L.S. Wilson, Director, Hestair Management Services Ltd,
1st Floor, 60 Charles Street, Leicester, LE1 1FB.

**UNIT TRUST
SPECIALIST**

to develop a new department

We have recently created an International Unit Trust Selection Service and require an experienced person to run it.

That person will be able to form an investment approach based on the potential of the leading economies of the world and the individual sectors within those economies. They will also have a sound knowledge of the major Unit Trust Groups.

This is an exciting opportunity to develop a new department within a leading firm of stockbrokers whose future is assured.

There is no age restriction and senior individuals are encouraged to respond.

All usual benefits also include an attractive living and working environment and the benefits of low taxation.

Please write in the strictest confidence enclosing a full C.V. to
R. L. Margot, Managing Director.

bm Buckmaster & Moore (I.O.M.) Ltd
MEMBERS OF THE STOCK EXCHANGE
3 Athol Street, Douglas, Isle of Man.

熟悉亞洲市場的 私人銀行專業人員

Citibank is expanding its marketing activity in Asia and this has created an immediate opportunity to join our International Private Bank in their new premises in Berkeley Square, London W1.

As a private banking professional focusing on the Asian market you will deputise for the Unit Head and sell a wide range of banking and investment services to high net worth individuals. You will need to have a strong background in credit and be familiar with securities and other investments.

We expect you to be fluent in Cantonese and ideally Mandarin as well.

This is an excellent opportunity to join a successful, expanding unit and an attractive compensation package with the usual bank benefits will fully reflect your experience and qualifications.

Please write with full personal and career details to Miss Hanneke Frese, Personnel Officer, Citibank, 335 Strand, London WC2R 1LS.

CITIBANK

Taxation Manager

London £25,000, plus Banking Benefits

Our client is a major banking group with worldwide interests. An interesting opportunity has arisen in the central finance division of the group for an ambitious tax professional who can offer experience and an understanding of banking.

The Tax Manager will monitor the tax submissions of the group internationally, and identify tax savings opportunities on a worldwide basis. There will be the opportunity to gain a detailed insight into all financial aspects of the bank's operations, and to present workable schemes to senior management.

The requirement is for the ATII qualification, a chartered accountant or a H.M. Inspector of Taxes, with a preferred age of between 30 and 35. Applicants must possess international tax experience.

The remuneration package is most attractive and the salary is negotiable according to background and experience.

Please write to M.J.B. Ping enclosing a detailed curriculum vitae and quoting reference F345P, at Ernst & Whinney Management Consultants, Becker House, 1 Lambeth Palace Road, London SE1 7EU.

EW Ernst & Whinney

**International Securities Sales
Executives**

For these positions, with a major international investment bank, our clients need people with a proven track record in both UK and US institutional sales markets.

With a degree, and preferably an MBA or equivalent professional qualification, you will have spent at least five years with a major investment banking organisation. In return, a competitive salary and benefits package will be offered.

Please send your CV to: Mr. B. Johnson, PER, 319-327 Chiswick High Street, London W4.

PER

Britain's Largest Executive Recruitment Consultancy

**MARINE
LAWYER**

We are a service company based in Central London providing technical expertise and management for associated overseas companies. Candidates for the position must be members of the Greek bar. They should have at least five years of directly-relevant experience. The post involves frequent European travel. Candidates must be fluent in Greek and English and knowledge of other European languages would be an advantage. Preferred age is under 35 years. Salary and benefits package commensurate with the requirements of the post.

Please apply, with curriculum vitae, to:

Box A9104, Financial Times
10 Cannon Street, London EC4P 4BY

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377 5266

Investment Analyst

An International Company in the City is currently seeking a person with approximately two years analytical experience, to join its Investment Department.

The post initially is for an Investment Analyst on European Portfolios (amounting to £100 million) but it is anticipated that the successful applicant will assist in the management of the portfolios after a short period.

Competitive salary plus excellent staff benefits.

Please reply in writing, enclosing a copy of your curriculum vitae to: The Company Adviser, A. Ramage, Streets Advertising Limited, 120-122 Seymour Place, London W1H 5JQ, stating clearly any companies to which you do not wish your application to be forwarded.

Streets
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120-122 Seymour Place, London W1H 5JQ Telephone: 01-723 7090

**A direct line to the
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InterExec is the organization specialising in the confidential promotion of Senior Executives.

InterExec's qualified specialist staff, and access to over 100 unadvertised vacancies per week, enable new appointments at senior levels to be achieved rapidly, effectively and confidentially.

For a mutually exploratory meeting telephone:

London 01-930 5041/7 39 Chancery Lane, WC2.

Birmingham 021-632 5648 The Rotunda, New Street.

Manchester 061-226 8400 Fallowfield House, Fallowfield Street.

Edinburgh 031-226 5680 47a George Street.

Leeds 0532-450243 12 St. Pauls Street.

The one who stands out.

MEDIUM SIZED MIDLANDS STOCKBROKERS

Wishes to make a senior appointment within its expanding institutional department. The successful applicant should be able to demonstrate enthusiasm and ability combined with previous experience.

Please reply to Box A9106, Financial Times
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A limited number of key appointments which will attract the best industry talent.
Prospects for further advancement are excellent.

CJRA

CITY

PORTFOLIO MANAGERS

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THE INVESTMENT DEPARTMENT OF ONE OF THE LARGEST MULTI-NATIONAL INSURANCE GROUPS. LOCAL FUNDS UNDER MANAGEMENT IN EXCESS OF £4 BILLION.

Our client, now at an accelerating phase of its planned expansion and development, is searching the market for fund management talent on several levels. Applications are invited from experienced UK and International Equity Portfolio Managers with noteworthy records of achievement and a relevant degree or professional qualification. The selected candidates will join a team with a respected and competitive track record, and will be exposed to, and liaise with, major companies and their advisers at the highest levels. As becomes a leader in the investment industry, a critical balance between long term aspects of funds under management and their short-term performance will need to be maintained. Essential qualities are fair, self-motivation and initiative, plus a willingness to benefit from and make a major contribution to decision making in a sophisticated environment. Initial remuneration packages will be flexible and tailored to attract the best talent available at whatever levels. Other benefits include subsidised mortgage, contributory pension, free life assurance, assistance with removal expenses if necessary. Applications in strict confidence under reference FM/17023/FT will be forwarded unopened to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

An opportunity to progress to senior management in Correspondent Banking or other key marketing areas in 24-48 months.

**MARKETING EXECUTIVE - CORRESPONDENT BANKING
- FRENCH SPEAKING**

CJRA

LONDON

£25,000 - £32,000 + MORTGAGE

MAJOR INTERNATIONAL BANK - ASSETS IN EXCESS OF U.S. \$60 BILLION

We invite applications from candidates, aged 28-36, who are fluent in French and who have acquired a minimum of 3 years practical experience with an International Bank as a member of a marketing team. The successful candidate will be responsible for liaising with managers of Correspondent Banking in 200+ banks covering France, Italy, Switzerland, Spain and Portugal. In addition to maintaining existing correspondent relationships, he/she will perform a key role in promoting and developing the Bank's services covering account balances, volume of L.C.s, collections, payments, courier services and other specialist areas. Up to 30% away travel will be necessary. The capacity to relate to and communicate with senior bankers in a lucid and commercially positive manner is important. Initial salary negotiable £25,000 - £32,000 + car, subsidised mortgage, share option scheme, non-contributory pension and life assurance. Applications in strict confidence under reference MEC/17047/FT will be forwarded unopened to our Client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH.

ORGANISATIONS REQUIRING ASSISTANCE ON RECRUITMENT - PLEASE TELEPHONE 01-628 7539.

Our clients, a leading international investment bank, are now seeking the following people:

Traders

Dealing in a wide range of securities, you will be educated to at least degree level, preferably with an MBA, and will be able to demonstrate your ability to succeed in a high pressure environment. In addition, you will be fluent in at least one foreign language and will, almost certainly, have had experience with a major banking organisation.

Analyst - Arbitrage and Trading

Working closely with our clients, traders and arbitrage specialists, you will be using a range of analytical techniques to evaluate Eurobonds and other securities, conducting pricing studies on various products including foreign exchange options and futures.

You will, therefore, be a graduate, preferably an MBA, with a good understanding of market technicalities and sound training in business related computer applications. This training will have given you specific expertise in programming languages, including PL/I, and the use of financial modelling packages, particularly Lotus. Ideally, you will have a working knowledge of a second European language.

**International Capital Markets
Specialist**

In this position, you will be dealing with cross currency securities in international markets as well as other technically sophisticated instruments including foreign exchange options, interest rate options and warrants. You will also be concerned with hedging, pricing strategies and policies, and the introduction of new products, such as dual rate securities, in order to exploit various market anomalies.

A graduate, preferably an MBA, your impressive banking experience will have given you specific knowledge of the areas mentioned above and particular expertise in the field of economic analysis. A familiarity with Asian and Far Eastern markets and the ability to converse in at least one foreign language would also be advantageous.

All positions carry competitive salary and benefits packages.
Please send your CV to: Mr. B. Johnson, PER, 319-327 Chiswick High Street, London W4.

PER Britain's Largest Executive Recruitment Consultancy

CITY

A VACANCY HAS ARISEN
FOR A TRAINEE BROKER

The successful applicant will be aged 23 plus and of a smart appearance. No previous experience necessary as full training will be given.

For a confidential interview ring:

NIC UGLOW
on 01-283 2942

GENERAL MANAGER - COMMERCIAL FINANCE HOUSE
International Factors (Ireland) Limited, a successful Debtor Financing Company, plans to open a subsidiary in the South East of England and is seeking a General Manager for this new and challenging opportunity.

Applicants should have had suitable experience in the Debtor Financing industry. Please write in total confidence with a full C.V. to:-

The Personnel Manager,
International Factors (Ireland) Limited,
Hume House, Ballsbridge, Dublin 4.

International Factors (Ireland) Ltd
A BANK OF IRELAND GROUP COMPANY

Accountancy Appointments

Financial Director

for
News (UK) Limited

News (UK) Limited needs no introduction as one of the most exciting developments in the newspaper industry. The company has been formed to publish the new seven days a week national newspaper planned by Mr Eddy Shah. A high calibre Financial Director is required for the management board.

Reporting to the Chief Executive (Mr Shah), the Financial Director will have complete responsibility for the finance function together with significant administrative duties. The major features of the job will reflect the corporate objective to create very quickly a major national newspaper business generating substantial profits and a large positive cash flow.

An outstanding accountant is sought who currently occupies a senior financial post in industry or commerce and is accustomed to working in large organisations experiencing rapid growth and change. Experience must include corporate finance and familiarity with sophisticated computerised systems. Personality must suit a tough and innovative environment. Age around 40.

Remuneration: £45,000 plus executive car and other benefits. Relocation assistance where appropriate.

Location: Warrington.

Please write in confidence to M D Beaumont, Partner (ref F393).



Thomson McLintock
Management Consultants
Devonshire House 36 George Street Manchester M1 4HA



Credit Manager

£20,000-£25,000 Edinburgh

Lloyds Bowmaker, one of the U.K.'s leading Finance Houses and a member of the Lloyds Bank Group, provides instalment credit and leasing facilities to customers through a number of operating Divisions and an extensive Branch network.

Reporting to the Credit Director of the Company's Retail Finance Division, this is a new position where you will assist him in planning and managing Credit operations to ensure that underwriting, dealer funding and credit control functions meet Divisional profit objectives.

You will be in charge of approximately 50, mainly specialist, staff and responsible for—

- Underwriting within your own authority in respect of stocking, retail credit, leasing and block discounting.
- The overall underwriting standards of the Department including monitoring the underwriting and rating disciplines exercised within the

Branch network.

All Credit support functions including quality and securities control.

The successful applicant will be aged 35-45, with a strong background in Accountancy and/or Credit Management. Previous experience in a senior management capacity in a finance house or in banking will be an advantage.

The position carries an attractive range of fringe benefits including house mortgage subsidy, profit sharing and personal loan schemes after qualifying periods, a contributory pension scheme, and a company car.

Applications providing full details of salary and career to date should be forwarded to:
A D Orr Ewing, Personnel Manager,
Retail Finance Division,
Lloyds Bowmaker Finance Group,
Finance House, Orchard Brae,
EDINBURGH EH4 1PE.

Chief Accountant

Top management team in
new media enterprise

CableTel is a powerful new force in cable television, backed by the joint resources of the Ladbroke Group, Comcast Corporation of the USA, and Legal and General Insurance. It has already been awarded the cable television licence for the London Borough of Ealing; and is about to embark on the first exciting phase of building a cable television system which will ultimately serve 100,000 homes within the borough.

This position is for an ambitious, young Accountant to join the Chief Executive's Management Team, with departmental responsibility for the accounting and administrative functions of the Company. This is a high-profile role, providing the opportunities to influence and develop computerised accounting systems and financial reporting procedures—virtually from the start of our operations.

Candidates will be fully qualified professionals with at least two years commercial experience and a good background in the development of computerised systems. Interpersonal skills to deal with people at all levels within the organisation are essential requirements.

Comprehensive benefits package includes an attractive salary and company car.

Please send full CV, including current salary to: Personnel Controller, Ladbroke Group PLC, Chancel House, Neasden Lane, London NW10 2XE.

CableTel
COMMUNICATIONS LTD

CHIEF ACCOUNTANT

£18,000 + car

North West

Our client, based in a modern specially designed plant in the North West, is a leading supplier of graphic reproduction services to the printing, packaging and advertising industries.

In order to support the substantial growth planned following major investment in the latest technology, the company wishes to recruit a qualified chartered accountant to take full responsibility for the accounts department, reporting to the Managing Director.

The successful candidate will have had at least three years' post qualifying experience with a major industrial concern. Experience of the printing or allied industry is desirable but not essential. Candidates will be asked to demonstrate a willingness to become involved in the overall management of the company, an acute commercial awareness and knowledge of computers.

The remuneration package includes a salary of around £18,000, a car and a generous pension scheme. Relocation expenses will be paid if required.

Applicants are invited to send a full career résumé, including salary history and day-time telephone number to Steve Ranger, Executive Selection Division.

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Abbey House 74 Mosley Street Manchester M60 2AT Tel: 061-228 3458

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Our client, a major force in high technology, can offer unrivalled opportunities for career development to young accountants.

Rapid expansion dictates that skilled, positive finance men and women be prepared to shoulder extensive responsibility from day one. Opportunities exist in both financial and management accounting functions and job specifications will be tailored to optimise your qualifications and ensure your success.

Contact Patrick Donnelly on 01-222-5169 quoting reference FT/77



The Finance Index

Financial Recruitment Consultants
11 Palmer Street London SW1H 0AB Tel: 01-222 5169/1181

FINANCIAL DIRECTOR

TOUR OPERATOR

LONDON

Our client is a major specialist tour operator, the largest in its field, with turnover of £30m from its well-established brand names.

Due to complete reorganisation of its management structure, they now wish to recruit a Financial Director.

Responsibility for all aspects of financial management, and reporting only to the Managing Director, the post will also hold the responsibility for the financial aspects of continuing active expansion plans.

A strong personality, and the ability to communicate at all levels, is an essential prerequisite. This will be a stimulating role and demands stamina, commitment (this is not a 9-to-5 job), a high degree of commercial acumen and the ability to ensure that corporate objectives are achieved.

The salary package will be highly attractive and will include a motor car.

Please send, in complete confidence, a comprehensive career résumé, including salary history and recent photo, to:

Vincent Mountain
Morgan, Brown & Haynes
59 Fleet Street, London EC4Y 1EB

**Morgan Brown
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Finance Director

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Application forms may be obtained from the Personnel Department, South East Thames Regional Health Authority, Thrift House, Collington Avenue, Bodhrin-on-Sea, East Sussex, Tel: 0424 22555 ext 3146. Closing date: 6th September 1985. Ref: 560.

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FINANCIAL TIMES

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Thursday August 22 1985

The other war in space

WITHIN THE next two weeks, the U.S. will conduct the first live test of its air-launched anti-satellite missile. The Soviet Union already has the ability to blow low-level satellites out of orbit. The U.S. says it is getting even—albeit with a weapon that promises to be far more flexible and swiftly deployable than Russia's lumbering space mine.

Sadly, it is unlikely that the two superpowers will agree to call it quits at this point by agreeing to a treaty banning the testing and deployment of still more powerful and sophisticated anti-satellite systems.

The U.S. has described Soviet calls for a freeze on anti-satellite testing as "disingenuous". The thesis that the U.S. cannot afford to negotiate arms controls until it "catches up" with the USSR is now established as a leitmotif of the Reagan administration, justifying continued atomic weapons testing and even SDI research. Moreover, Paul Nitze, the U.S. administration's senior arms control adviser, publicly admitted his scepticism, in February, as to whether a significant and verifiable anti-satellite weapons ban was achievable.

Stand-off

Public opinion, whether in the U.S. or Europe, has not really woken up to the nature of the arms race that looms here. It does not immediately concern nuclear weapons and it is overshadowed by the distant vision of SDI in which space-based beam emitters or beam reflectors are taken for granted, and are chiefly questioned for their possible impact on the balance of nuclear terror.

What is at imminent risk is a stand-off in which the military reconnaissance and communication satellites of East and West, to say nothing of large numbers of satellites for civilian use, are taken for granted, and are chiefly questioned for their possible impact on the balance of nuclear terror.

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Farsightedness versus violence

MR RAJIV GANDHI has moved fast to solve the country's problems. His critics say too fast. They may point to the assassination of Sant Harchand Singh Longowal, the moderate Sikh leader who signed last month's Punjab accord, as evidence of this.

Sant Longowal's death is certainly a major setback to peace in Punjab. The agreement is now in danger and there must be some doubt as to whether next month's state elections there can be held peacefully.

Above all the killing underlines the depressing fact that a handful of extremists can undermine the best laid plans.

Mr Gandhi should not, however, be deterred from finding solutions to the subcontinent's sectarian problems, because without political stability economic progress through reform—his main objective—will fail.

He should therefore persist with his Punjab accord, which is fair and commands widespread support among Sikhs.

He should also press ahead with his plans for the northeast state of Assam where an agreement was also signed last month to end more than five years of turmoil.

The Indian Government is simultaneously trying to find a solution to the ethnic conflict which has brought Sri Lanka to the brink of civil war. It should push ahead because with every day that passes and with every new atrocity feelings become more inflamed and a compromise more difficult to reach.

Mr Gandhi has brought all sides together in Thimpu, capital of the Himalayan kingdom of Bhutan, in what could prove to be Sri Lanka's last chance of a peaceful settlement.

Sectarian war
Since the July 1983 riots which sparked the current round of violence, India has played a central role in trying to reconcile the long-standing differences between Sri Lanka's Buddhist Sinhalese, who form the majority, and the largely Hindu Tamils some of whom want their own state but most of whom would settle for substantial autonomy in their heartlands in the north and east of the island.

An agreement in Sri Lanka is important for India because a sectarian war there could spill over into the southern Indian state of Tamil Nadu where Mr Gandhi's ruling Congress (I) is opposed by strong regional forces.

remain relatively assured so that nuclear war through misunderstanding or ignorance is made less likely.

If the West draws up a purely selfish balance sheet, it will probably find this immunity of particular value. As a widely-scattered alliance, rather than a monolithic pact it depends greatly upon satellite communications to hold it together. As an avowed non-aggressor it has no immediate need to blind the surveillance systems of the other side, and wants to keep its own functioning. Set against this is great sensitivity in NATO's navies about Soviet satellite systems which pin-point their surface fleets.

The anti-satellite systems so far developed threaten only fast moving, low orbit satellites between 150 and 300 km above the earth. It is still not too late, therefore, to move towards a complete ban on the testing and deployment of anti-satellite weapons aimed at high orbit satellites and, in particular, those in the important geo-stationary orbit 22,000 km out.

closer to the earth, the superpowers could restrict themselves to one type of anti-satellite weapon system each. Deployment and quantities are very difficult to monitor, but the live testing of new systems is not.

Strategic instability

A big problem for the U.S. Administration is that the ideal of an orbital space kept free of offensive weapons is not compatible with some of the grander versions of SDI. Yet SDI remains a distant project, very much in the research phase, and heavily constrained beyond that by the ABM treaties.

We are on the brink of an anti-satellite arms race right now. If an inexorable spread of modern war into space, with attendant strategic instability, is to be avoided it is vital that the U.S. Congress, the NATO allies and any Warsaw pact member brave enough to speak up, maintain the pressure on the superpowers to construct an arms control agreement in this build-up and dispositions of their other. Lines of communication

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FIGURES cannot lie, but they often do not tell the truth. Many of us listening to rival politicians, citing statistics about the growth performance of different countries, must have wondered what the numbers really meant.

We all know that the Gross Domestic Product estimates tell us very little about many important aspects of living standards. They do not show leisure, let alone distinguish between voluntary and involuntary leisure. They do not record output outside the effective cash economy, whether traditional housework and do-it-yourself, or the activities of the "underground" economy. They do not take account of noise, pollution, time spent in traffic jams or the decay or improvement of the environment, except to the extent that the latter is reflected in property rents. All we can hope is that the published GNP figures move in at least the same direction as more comprehensive indicators would.

Even taken at face value, and forgetting wider considerations, the published growth figures can be extremely misleading. To begin with there are three different measures of GDP:

(a) The expenditure measure, i.e. the total of all spending on the outputs of the national economy.

(b) The income measure, i.e. the total of all incomes earned from producing goods and services.

(c) The output measure, i.e. the total of all output.

In principle, these are three ways of looking at the same magnitude and should lead to the same result. But measurement errors of various kinds creep in at times to quite big discrepancies.

For instance, the output measure of British real GDP rose in 1984 nearly twice as fast as the expenditure measure—by 8.7 per cent compared with 1.5 per cent. The income measure grew at the intermediate rate of 2.7 per cent.

The Central Statistical Office (CSO) tries to overcome this difficulty by using an average of all three measures, known as GDP (A)—the "A" standing for average.

The GDP can be expressed for growth rate purposes either at the prices current in the period to which the measures refer or it can be revalued at the price of some constant base year.

The former measure is often known as Nominal GDP and has frequently been put forward in these columns as the magnitude which governments should try to influence by their overall policies; and it did indeed appear fairly prominently in the 1985 Budget Red Book as an ultimate yardstick for monetary policy.

But the measure which is normally used for purposes of "growth leagues," tables and the like is the GDP at constant prices, from which the effects of inflation have in principle been eliminated to give a picture of

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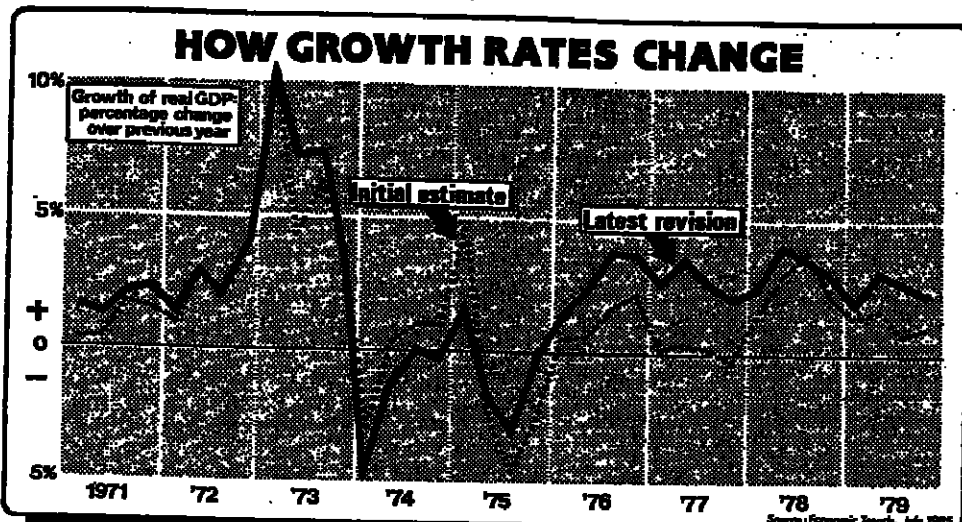
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ECONOMIC VIEWPOINT

Lies, damn lies and statistics

By Samuel Brittan



Chris Walker



"Don't worry—they'll be much improved by the time I retire in five years."

indices—based primarily on union-negotiated rates—do not allow fully for the increased use of sub-contractors, workers on temporary contract, and other devices to reduce labour costs. None of which is to suggest that cost performance has been good.

On the wider subject of the GDP estimates, it is tempting to shrug all the growthmanship off by saying: "The difference between a 2 and a 3 per cent growth rate—which is an average over many industries and activities—is too abstract to be perceived by citizens. World's Callaghan have been returned in 1979, despite the winter of discontent, if people had known the true growth rate? Or will Mrs Thatcher recover in the polls if she succeeds in convincing people that Britain has had historically rapid growth rates, since 1961? People are interested in more honest variables like prices, unemployment and, oddly enough, sterling."

Yet to dismiss growth rate estimates altogether, and to look only at jobs, prices and currency rates is to go much too far. After all, a sufficiently spectacular rise in total output would enable those at work to compensate the unemployed for the absence of jobs and still be better off.

The public dislikes instability and uncertainty—whether about inflation in the 1970s, or about job prospects today. But growth is valued too—as can be seen by interest group demands which would quickly exaggerate national product if any government foolishly tried to suppress them all.

What is tending to do the strings of statistics which Ministers are being requested to hurl at their critics is that they start in 1961, the beginning of the recession. The only reasonable comparison is between the last complete economic cycle, 1973 to 1979, and the period since then.

On such a six-yearly view, and allowing for revisions, there is almost no difference between the growth record of the Thatcher years and the period which went before.

So there is not much to choose between successive administrations on growth; and the uncertainties of unemployment, which would quickly exaggerate the record of the Thatcher years, have been replaced by the uncertainties of unemployment.

So if the Thatcher Government is to make a convincing appeal at the next election, it must either persuade people of a genuine improvement in the economy in its third term—or more convincingly—worry them about the prospect of a Labour Government still wedded to union power, the envious leveling down variety of egalitarianism and a preference for collective over individual decisions.

But unless and until the Conservatives give priority to electoral reform, they will seem more interested in maximising the (small) chance of a third administration of their own than in minimising the chances of a majority Labour Government. Who, then, really cares about avoiding the Road to because the official earnings?

GROWTH RATES THEN AND NOW

Estimates and ranges for growth rates of GDP at constant price

	First publication	As at April 1985
	Estimate	Estimate
1980 Q1	0.7	0.4
Q2	-3.2	-3.5
Q3	-2.7	-3.0
Q4	-4.3	-4.6
1981 Q1	-3.8	-4.1
Q2	(1)	(1)
Q3	(1)	(1)
Q4	0.3	-0.9
1982 Q1	0.6	0.3
Q2	1.1	0.8
Q3	1.2	0.9
Q4	1.3	0.9
1983 Q1	2.3	2.0
Q2	2.7	2.4
Q3	2.9	2.6
Q4	3.5	3.2
1984 Q1	2.7	2.4
Q2	2.9	2.6
Q3	1.5	1.3
Q4	2.4	2.1

(1) The usual first estimates for these periods were not produced because of a Civil Service dispute.

Political figures

August is the month when Ministers get a chance to shine. Their bosses are away on holiday; and newspapers have plenty of space to fill.

And with the autumn reshuffle looming, the more astute of the undersecretaries have been given the usual try to grab attention.

First it was Norman Lamont, industry minister—the subject of some rather unwelcome publicity earlier in the summer. He seized on last week's wholesale price figures to issue a long statement trumpeting the Government's recent successes on the inflation front. Journalists could never remember a ministerial statement accompanying such arcane data before, but it got Lamont a few column inches.

John Moore, number three at the Treasury and another candidate for promotion, has gone one better, though. His cue for action was the publication this week by the Central Statistical Office of the even more obscure cyclical indicators.

Philip Morrell has more reason than most British travellers to worry over the threat of a national rail strike.

For, at 9.15 am sharp on platform 6, Charing Cross Station, on September 15, he hopes to see the culmination of five years of planning as a special trainload of 110 people leaves for China.

Morrell, aged 41, managing director of the travel firm Voyages Jules Verne, has already secured a comfortable corner of the travel market for his business by offering exotic train and sea journeys to far-flung corners of the world.

His excursion from Charing Cross to Chang'an, China, is intended to be the world's greatest train journey.

It will take 45 days and use ten chartered trains provided by railways along the route. Many will be hauled by steam engines.

The planning has even involved mobilising local fire brigades to provide water for the engines. The travellers, who have paid £3,598 each for their through tickets to China, will spend most nights sleeping in local station hotels. And they can look forward to being entertained by at least 28 brass

bands, before they fly home.

"It's a piece of theatre," says Morrell. But at just 50p a mile clearly resolute travellers have also seen the trip as a rare bargain. All tickets to Chang'an were sold out within a week of being offered. Morrell is already planning two more trips next year.

What then is causing the delay? The official word is that the Government is finalising a discussion document on public finance B and D before actually setting up a space shop in Farnborough.

My mole tells me, however, that the real reason for the hold-up is that the civil servants who look after space matters at the Department of Trade and Industry in London and the Science and Engineering Research Council's Rutherford Appleton Laboratory, near Oxford, are kicking up a fuss about making the move to the wilds of Surrey.

Men and Matters

The CSO, itself, said it was perplexed by the indicators which have long been giving confusing signals about the outlook for the economy. But Moore was deterred.

A long statement from the Treasury, under his name, suggested that they confirmed the Government's successes in everything from curbing strikes to boosting investment.

I hope Mrs Thatcher is finding time in Austria to read of such loyal labours.

Whitehall-watchers are wondering why, seven months after the Government announced it would set up a new British Space Centre, nothing more has been heard of this brave venture.

Geoffrey Pattie, minister for information technology, told the world that the Government would co-ordinate the country's efforts in space technology with a new centre. It was probably to be based in Farnborough, the home of the defence ministry's Royal Aircraft Establishment.

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and its operations, this week gave more enterprise an unexpected lift.

Mulroney wanted to set an example to his Cabinet ministers by flying from Toronto to Vancouver aboard a commercial Air Canada flight rather than the Government jet he normally uses. But shortly before he was due to depart, the state-owned airline's flight attendants walked out on strike.

Air Canada has kept flying by putting into operation an emergency plan which has involved training several hundred of its other employees and a group of university students to serve drinks and demonstrate safety procedures.

But Mulroney, perhaps remembering his former career as a labour negotiator, refused to cross flight attendants' picket lines at Toronto airport.

He flew to Vancouver, instead, with CP Air Canada's largest privately-owned airline.

Television has been recalling these past few days many of the deep and conflicting emotions that surrounded—and still do—the dropping of the first atomic bombs on Hiroshima and Nagasaki.

Some, it may also be recalled, took a more dispassionate view of the events. The late Ian Macpherson, friend of Maynard Keynes and for many years senior partner of stockbrokers Buckmaster and Moore, wrote every fortnight of the war to Eric Ivory, then running Ivory and Sims while his elder brother, Basil, was on active service.

Macpherson gave his views on the current war situation and its implications for investment decisions. His comment on the current war situation and its implications for investment decisions.

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FINANCIAL TIMES

Thursday August 22 1985



Europe slow to adopt driver-only trains

BY OUR LABOUR AND FOREIGN STAFF

IF BRITISH RAIL wins its battle over driver-only train operation it will come into line with railway networks in several other European countries.

However, the operation of trains without guards is by no means common outside the UK. Where it is adopted as a practice it is usually limited to a handful of suburban passenger services and to freight workings.

Several networks have a number of staff on each train and one - West Germany's Bundesbahn - is aiming to increase its personnel on express trains to provide a better service.

Direct comparisons are complicated by the differing organisation of rail networks in continental Europe. The "open station" concept, only recently introduced by BR, has been prevalent elsewhere for years and thus travellers abroad are unaccustomed to having their tickets checked at barriers on the platform.

This has put greater stress on the need to check tickets on board trains - a task performed by "conductors" whose duties may not be strictly comparable with BR's guards.

Further, the advent of rapid transit systems in major cities has blurred the distinction between trains and trams. Some driver-only trains on the Continent would doubtless be viewed by the National Union of Railwaymen in the UK as more akin to the London Underground system, where the principle of having no guard was accepted in 1969.

British Rail is sending all 11,000 of its guards a letter to guarantee them "future and continued employment" under driver-only train operation, writes David Brindle and John Lloyd in London. The letter warns, however, that a vote for industrial action in tomorrow's national ballot could jeopardise that assurance.

The letters were dispatched yesterday by the state railway's area managers as Sir Robert Reid, its chairman, made it plain he saw the gathering dispute with the National Union of Railwaymen (NUR) over driver-only operation as a symptom of a broader conflict.

Giving his first on-the-record briefing to reporters since the dispute began, Sir Robert said: "It is about a trade union that will not move with the times and (opposition to) driver-only operation is a manifestation of that policy."

BR's moves came the day after the union brought forward six days of its ballot of guards and conductors.

Disruption of Britain's rail network by unofficial

action continued, with services in Wales particularly badly hit.

The grouping of left-wing unions formed during the miners' strike was revived, with a view to giving support to the NUR.

Leaders of the train drivers' union Aslef moved quickly to counter suggestions that its backing for the NUR guards was weaker than had been claimed.

Guards would disappear from only 10 passenger services over the next five years, Sir Robert said. This would affect 5 per cent of all services and would leave all inter-city trains with guards. The great majority of the 1,700 jobs BR planned to shed would go from freight trains.

Sir Robert said an all-out rail stoppage would cost BR £150m (£53m) a week in lost revenue alone, compared with the £27m annual savings from driver-only working after five years, but he accepted that BR would have to contemplate shutting down the network if disruption prevented "a recognisable service" being maintained.

In other respects, however, rail networks which have preceded BR into driver-only operation have faced the same central issue of passenger safety and can - with isolated exceptions - report a clean bill of health.

They have also faced the question of whether drivers working without guards should receive a pay premium. Some have agreed sums comparable with the £7.22 (about \$10) a shift BR is offering its drivers; others have paid nothing at all.

France has driver-only operation only on some lines on the Paris suburban network and on a few freight services; on long-distance passenger trains, retention of one or two ticket collectors/guards is judged essential.

Guards were first removed from

the Paris suburban trains in 1978 in the teeth of some union opposition. Drivers of the trains concerned receive a bonus worth about FF 200 (\$23.50) a month, although ticket controllers still ride on some services to carry out spot checks.

Lines where driver-only trains are in use have been equipped either with platform closed-circuit television systems for the drivers' use - as is planned by BR - or television screens in the cabs of the most modern train units. All trains involved have radio links, as BR plans for passenger services but not at this stage for all freight locomotives.

Switzerland has only three lines with driver-only working of passenger services, but there are plans to extend this by spring 1987 and to

shed the jobs of 217 guards - some 10 per cent of those on suburban services.

The three lines concerned at present are two rural routes and the suburban line from Zurich to Bapperswil. Drivers receive no pay premium and, in spite of travelling spot-checking ticket inspectors, there has been trouble with vandalism and threats to passengers on the Bapperswil line at off-peak times.

Swiss Federal Railways (SBB), which says it may provide guards in future at off-peak times, points out there have been no accidents involving driver-only trains.

The Netherlands has at least one conductor on most trains, but is believed to have recently introduced

driver-only working on the Zoetermeer suburban line outside The Hague. Trains will not be equipped with radio links until 1988.

The state railway network, considered one of the most efficient and profitable in Europe, dispensed with drivers' assistants or firemen as long ago as 1956 - BR still retains this job on trains which exceed 100mph. The main cost-cutting policy is not driver-only working, but retaining drivers in an area closer to their home base.

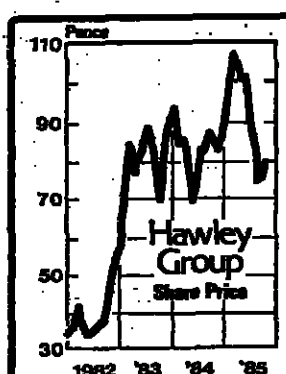
Italy retains two drivers and at least one guard on all trains. The issue of reducing the complement of drivers - not guards - surfaces from time to time, but this is strongly opposed by the unions and there seems little immediate prospect of doing so.

West Germany has driver-only operation on some S-Bahn sections, which are in effect suburban extensions of underground systems. On long-distance passenger services the policy is to recruit more guard-type personnel in the hope that offering a better service will attract more custom.

Ireland has recently introduced a driver-only rapid transit system across Dublin, from Howth to Bally, for which drivers receive a premium of 20.5 per cent of gross pay - as against the roughly 30 per cent of basic pay offered by BR.

Trains in Belgium and Luxembourg carry at least one guard. The latter network provides a conductor for every three carriages of each train - a ratio that puts BR in a different league altogether.

THE LEX COLUMN United on the Expressway



So it is a mark of Hawley's resilience that it managed to turn in pre-tax profits of £12.1m, 10 per cent up on the same period last year.

Hawley is learning that absorbing acquisitions is not as easy or as quick a process as it might have seemed. Integration and rationalisation costs in the cleaning and maintenance division, for instance, are still affecting profits, while the rapid growth of Kean & Scott has made a shake-up in management necessary.

The encouraging news is that these benefits are starting to show through, and will continue to do so through the rest of this year and 1986. Even without acquisitions, the company could show a 15 per cent growth in profits, exchange rates permitting. With its minuscule Bermuda tax charge, that puts the shares, up 3p to 80p, on a multiple of just over 5 - which must reflect bad feeling more than an objective valuation of Hawley's growth potential.

German chemicals

Yesterday's interim figures from two of the German chemical majors neatly confirmed the message of ICI's second quarter results. While neither Hoechst nor BASF split out the impact of exchange rates on their earnings, the West German industry as a whole has evidently been reaping the reward of a weak D-Mark.

The currency benefit has not surprisingly been more pronounced in the case of BASF, which has a larger domestic base and a stronger bias towards bulk products. ICI has spent the past five years trying to become less like BASF and could be forgiven for feeling a little frustrated.

ed by the 37 per cent rise in pre-tax profits which the German group has produced for the first six months.

BASF has so far been insulated as much by the strength of the domestic market as by the vagaries of the D-Mark and the dollar. Hoechst, by contrast, has been suffering in the US from the enhanced competitiveness of import fibres. But, getting the first half to one side, BASF looks much more vulnerable to a downturn in the bulk products cycle. So Hoechst and ICI may yet have the last laugh.

W. H. Smith

The equity market has again quite trusted W. H. Smith. Last week's acquisition of the Elson retail chain in the US was greeted by some as yet another instance of a UK retailer speeding to disaster across the Atlantic, while yesterday's satisfactory preliminary results - accompanied by a 18 per cent dividend increase and optimistic analysis about the current year - knocked 2p off the share price, leaving it at 230p.

The preliminary statement itself could admittedly have been more instructive. Comparisons between a period of 52 weeks and another of 70 weeks are none too helpful in a retailing business with a strong seasonal bias. And it is impossible to deduce the extent to which falling personal computer sales damaged net margins in the retail chain.

But there was not much wrong with the overall result. On a like-for-like basis, profits have risen 10 per cent to £5.1m pre-tax and £3.6m after £30m - ignoring property items - in the current year.

Given Smith's past talent for turning a banana skin on every occasion, it is not surprising to see the group's ambitious plans for specialist shops in the UK and turnpike stores in the US treated with a degree of caution. Within the space of a year, net debt will increase from virtually nothing to about 40 per cent of shareholders' funds, making Smith a slightly riskier investment. Yet the US acquisition looks sound and last year's impressive growth in do-it-yourself has demonstrated that Smith is capable of diversifying successfully out of its basic business. The prospective earnings multiple of around 13 is perhaps just a touch stingy.

New York lines up for \$41m jackpot

By William Hall in New York

NEW YORK'S Governor, Mario Cuomo, had not bought a ticket and neither had Donald Trump, the Manhattan real estate tycoon. But it seemed as if everybody else from New York Mayor Ed Koch downwards was waiting in line yesterday for the chance to win \$41m the biggest lottery jackpot in U.S. history.

New Yorkers were queuing for as long as five hours yesterday to buy Loto 48 tickets at \$1 a time giving them two chances to win the jackpot. Despite the 6.1m-to-one odds, New York's Loto fever was reaching epidemic proportions as everybody thought up their own winning combinations of numbers.

"Sales have been unbelievable," said Mr John Quinn, the state lottery director, and yesterday morning more than 22,000 tickets a minute were being processed through the 4,000 computer-linked ticket machines across the state.

State lottery officials reported "incredibly heavy border traffic" as thousands of people from neighbouring New Jersey and Connecticut drove across the state line to buy their tickets.

The record jackpot, which could top \$50m if a winner is not found, is the result of seven successive draw sessions in which nobody has won the Loto 48 grand prize.

The first was at the end of last month when the prize was a nominal \$2m.

By Tuesday evening \$38m in Loto tickets had been sold since the last Loto draw on Saturday and state officials warned that they would have to close the system early because it could not handle the volume.

"We can only do \$18m worth of business on any one day" said Mr Quinn, who urged players to place their bets as early as possible yesterday to avoid the long queues and the possible early closure of his system.

Anyone over the age of 18 with the exception of state lottery officials can play Loto.

After the Loto kiosks close New Yorkers wait for the draw which is conducted in Albany, the state capital, every Wednesday and Saturday night.

Banks agree breathing space for Brazilian debt repayment

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

LEADING international banks yesterday agreed to give Brazil a further breathing space until January 17 next year to allow for the completion of crucial economic policy negotiations with the International Monetary Fund.

At a New York meeting with Sr Carlos Lemgruber, Central Bank president, the 14-bank committee of main creditors endorsed a Brazilian request for a 140-day freeze on debt repayments as well as the maintenance of \$18bn in short-term trade and money market finance to Brazilian banks.

The new breathing space is shorter than the 180 days first suggested by Brazil but its length still underlines expectations in the banking community that protracted negotiations with the IMF still lie ahead.

Brazil is no longer expected to have an effective policy agreement in place this year.

The breathing space proposal, which will now go to Brazil's creditor banks worldwide for their approval, is intended to help prevent Brazil from being technically in default on its \$103bn foreign debt once existing temporary arrangements expire at the end of the month.

The country's failure to reach agreement with the IMF on a new economic programme has prevented completion of a plan to reschedule some \$45bn in maturing debt.

The bank committee, chaired by Citibank, decided on the extension after receiving a letter from Mr Jacques de Larosiere, IMF managing director, which fell short of outright endorsement of the Brazilian

request but still pointed to expected progress in the talks.

Mr de Larosiere told the bankers a Brazilian team would visit Washington in early September, "to review economic policies and results for 1985 and begin discussions about 1986." Bankers say this is confirmation that any agreement between Brazil and the IMF will only enter force next year.

Separately Sr Alan Garcia, Peru's new President, has quantified his policy of allocating only 10 per cent of export receipts to debt service. For next year, this would mean Peru would only make about \$350m in service payments on its \$145bn foreign debt, he said in Lima.

This compares with a figure of \$5.1bn in principal and interest falling due.

being slow to take measures to reduce costs. Last year a target of cutting costs by 20 per cent at the group's technologies units was missed.

About 30 per cent of the jobs lost would be in the management ranks. Mr Allen said, "Market conditions" could bring further workforce reductions, he added.

The past 18 months have already seen substantial reductions in jobs at the group's technology operations. The Morrisstown unit has eliminated nearly 5,000 jobs since the beginning of 1985.

AT&T to cut 24,000 jobs

BY TERRY SYLAND IN NEW YORK

AT&T, the U.S. telecommunications group set up when the former nationwide telephone company was broken up 18 months ago, yesterday announced that it would eliminate 24,000 jobs at its information systems group, which makes communications equipment.

The redundancies, representing about one quarter of the total workforce in this area and exceeding recent rumours on Wall Street, were announced to the workforce at the Morrisstown, New Jersey facility of AT&T Information Systems.

Mr Robert E. Allen, the division's chairman, said the cuts were possible because all resources "necessary to manage the information systems business" had been combined into a single organisation.

Steps to eliminate around 7,400 of the jobs concerned have already been put in hand, and the greater part of the 24,000 targeted jobs will have been eliminated before the end of the year.

The parent company commented that yesterday's announcements represented only "one decision among many" that are being taken to realise improved profits - a view which will please Wall Street, where AT&T has been blamed for

being slow to take measures to reduce costs. Last year a target of cutting costs by 20 per cent at the group's technologies units was missed.

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U.S. hits at Tokyo export policy

BY CHRISTOPHER LORENZ IN WASHINGTON

A SENIOR U.S. government official yesterday bitterly attacked Japan's strategy of targeting particular industries with low prices in order to gain massive market shares.

Europe's Airbus programme also came under fire. Instead of competing, Airbus and Boeing should collaborate, suggested Dr Bruce Merrifield, an assistant secretary of the U.S. Commerce Department.

Japan's strategy was a "very destructive, zero-sum game that has

had tremendously bad consequences" for itself and its competitors, Dr Merrifield said. He was speaking about the development of local competition on the opening day of WorldDesign '85, a congress of 2,000 international designers.

Europe's concerted drive to compete with Boeing in the market for wide-bodied jet aircraft was also destructive, Dr Merrifield maintained. So far, he claimed, the Airbus programme had incurred a negative cash flow of the equivalent of

\$10bn, and it was only half-way towards the break-even point. Boeing and Airbus would not be able to survive in the business if such competition continued.

Explaining his worries about Japanese industrial strategy, Dr Merrifield said that it was heavily based on pricing and high levels in the home market in order to cover production costs, and pitching prices low abroad.

Britain wins design award, Page 6

Mobil refuses Oslo oil offer

Continued from Page 1

award could cost Norway "billions" Willoch is not expected to give any ground to Labour. In agreeing to a meeting to "clear up misunderstandings", he apparently hopes to prevent the opposition from capitalising on the controversial award during the current election campaign.

Norwegian oil output is set to rise almost 30 per cent over the next five years, from 35m tonnes per year to 50m tonnes, according to economists at Bergen's Institute for Industrial Economics Studies.

A survey by the institute points out that Norwegian shelf oil production, which set a new record last

month, will continue to climb for the rest of this year, owing to the recent commissioning of the third platform on the Statfjord field. Two new fields - Gullfaks and Ula - will give a further big boost to production in 1987, and in 1989 the large Oseberg field will come onstream.

From 1990 to 1995 oil production will hold steady at around 50m tonnes per year. Thereafter it will fall sharply, unless new field developments have been approved.

The forecast 50m tonnes per year - equivalent to 1m barrels a day - is more than the 1984 output level of many medium-sized Opec producers.

Benazir Bhutto keeps alight family flame

Continued from Page 1

yesterday had no such doubts, and during the day she proved her style and charisma, and the public approval that the Bhutto family still enjoys.

The Government's biggest immediate fear is that she might point an accusing finger at President Zia's regime for the death of her brother in Cannes, southern France, so arousing mass wrath from people who still revere the Bhutto name and giving the country's divided and ineffective opposition a new rallying point.

In a brief public speech last night she described her brother as a martyr.

World Weather

	°C	°F		°C	°F		°C	°F		°C	°F
Africa	27	81	Madagascar	27	81	South America	27	81	Antarctica	27	81
Asia	27	81	Malaysia	27	81	Caribbean	27	81	North America	27	81
Australia	27	81	Philippines	27	81	Europe	27	81	South America	27	81
Brazil	27	81	Thailand	27	81	India	27	81	South America	27	81
Canada	27	81	China	27	81	Japan	27	81	South America	27	81
Central America	27	81	France	27	81	USA	27	81	South America	27	81
China	27	81	Germany	27	81	UK	27	81	South America	27	81
Colombia	27	81	Greece	27	81	USSR	27	81	South America	27	81
Cuba	27	81	Italy	27	81	West Indies	27	81	South America	27	81
Dominican Republic	27	81	Netherlands	27	81	Yugoslavia	27	81	South America	27	81
Ecuador	27	81	Norway	27	81	Zimbabwe	27	81	South America	27	81
El Salvador	27	81	Poland	27	81				South America	27	81
France	27	81	Portugal	27	81				South America	27	81
Germany	27	81	Romania	27	81				South America	27	81
Ghana	27	81	Spain	27	81				South America	27	81
Greece	27	81	Sweden	27	81				South America	27	81
Haiti	27	81	Switzerland	27	81				South America	27	81
Honduras	27	81	Taiwan	27	81				South America	27	81
India	27	81	Thailand	27	81				South America	27	81
Indonesia	27	81	Turkey	27	81				South America	27	81
Italy	27	81	USSR	27	81				South America	27	81
Japan	27	81	USA	27	81				South America	27	81
Kenya	27	81	West Indies	27	81				South America	27	81
Malaysia	27	81	Yugoslavia	27	81				South America	27	81
Maldives	27	81	Zimbabwe	27	81				South America	27	81

Readings at mid-day yesterday:

C-Claudy D-Delice F-Fair P-Partly B-Breeze S-Sun

St-Storm T-Thunder

SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Thursday August 22 1985

WOLSELEY-HUGHES
From Leeds to Louisiana
we're growing
from strength to strength
Major distributors of heating and plumbing materials
in U.K. and U.S.A. Farm machinery, Engineering, Plastics.

Tomorrow's transmission
technology today.
You'll find it at
Fenner
Electronic Controls
Hull, England.

Firestone income drops by 29%

By Our New York Staff

FIRESTONE TIRE & Rubber, one of the world's five biggest tyre manufacturers, yesterday reported that its North American operations had plunged into loss as it posted a 29 per cent drop in its third quarter pre-tax operating income to \$34m.

The company attributed the decline in quarterly income from continuing operations to a decrease in operating income, which was due to lower earnings from international operations and losses incurred in original equipment and wholesale tyre operations in North America.

The 1985 period figure also appeared lower because of comparison with a 1984 gain of \$11m from the sale of the company's Brazilian rubber plantation.

Firestone reported net income from continuing operations of \$6m, or 22 cents a share, in its third quarter to the end of July. This compares with \$20m or 65 cents a share in the same quarter last year. Net income including extraordinary credits totalled \$13m or 31 cents a share compared with \$48m or \$1.06 a share in the third quarter of 1984.

Insurers may lose \$300m in Epic default

By Our New York Staff

INSURANCE companies may lose up to \$300m because of the potential default of Equity Programs Investment Corporation (Epic) which issued \$1.5bn of mortgages and mortgage-backed securities.

Moody's, the U.S. credit rating agency, made the estimate yesterday while assessing the impact of Epic's potential default on the U.S. private insurance industry. Moody's cited "Epic's use of high-risk investor loans as the major weakness of its security structure," remarking that low down-payment investor loans have been proven to have an extremely high potential default risk.

A buyer for Epic was still being sought yesterday. The corporation's problems have caused a run on the deposits of its parent, Community Savings, one of the largest savings banks in Maryland. The state of Maryland has temporarily frozen all deposits at Community Savings.

Higher output at Saarstahl

By Our Financial Staff

ARBED SAARSTAHL, the West German steel group, has raised production and sales in the first seven months of 1985, and as a result has managed to cut first half losses.

The group, which is a subsidiary of Arbed of Luxembourg, narrowed its losses by DM 50m (\$18.1m) in the six months. It did not give comparative figures or figures for last year's losses.

Saarstahl's crude steel production rose 6.5 per cent to 1.6m tonnes in the first seven months of 1985. Deliveries of rolled steel products were up 14 per cent to 1.5m tonnes.

Hong Kong bank wins race for first foreign branch in China

BY ROBERT THOMSON IN PEKING

HONGKONG and Shanghai Banking Corporation has been granted permission to open the first branch of a foreign bank in China since communist rule began in 1949.

The bank, along with numerous others from Japan, Europe and the U.S., had applied to open a branch in the Shenzhen special economic zone (SEZ) in Southern China, and is the first of the applicants to gain approval.

Announcing the move, the People's Bank of China, the country's central bank, said other overseas Chinese and foreign banks "with good credit standing" and "fine relations with China" will also be permitted to open branches in the SEZ.

"Whether they will be allowed in other coastal cities open to foreign investment in the future will depend on the needs of China's economic development," it said.

The branch will be allowed to provide foreign exchange loans to enterprises and individuals, handle export transactions, and exchange

foreign currency.

It will be allowed to deal in Renminbi (RMB) deposits but only those placed by enterprises and foreign national banks.

Recently, the newly appointed president of the People's Bank, Chen Muhua, said: "As we still lack experience in the field, it is far too early for us to permit foreign banks to set up branches in other parts of the country."

Nevertheless, she did emphasise that "relations between Chinese and foreign financial circles are becoming closer."

There are 130 foreign representative offices of foreign financial institutions in China, with all of them looking to expand their role beyond that of simple representation.

Also, the administrators of China's three other special economic zones are keen for foreign banks to have a presence in their regions. Officials in the Shumchun SEZ, also in southern China, claim to have had a large batch of applications by foreign banks to open a branch.

Braniff sees brighter earnings prospects

BY TERRY BYLAND IN NEW YORK

BRANIFF, the Dallas-based airline which emerged from bankruptcy-law proceedings in early 1984, expects to return to profitability in the current fiscal year.

Profits rose sharply in the second quarter, helped both by the effects of the 29-day strike at United Airlines, the leading U.S. domestic carrier, and by peak passenger load factors at Braniff.

Braniff's net earnings for the quarter reached \$12.8m or \$1.10 a share, boosted also by a tax benefit of \$6m or 49 cents, although sales revenues, at \$73m, gained only \$3m.

The Dallas airline suffered a loss of \$39.9m in the corresponding quarter last year, when it was struggling with its financial problems. But it turned the corner in the first quarter of this year with net earnings of \$1.6m or 13 cents.

Mr. Ron Ridgeway, company president, said Braniff's load factor, up from 72.5 per cent in the first quarter to 77.5 per cent in the second, was the highest in the industry. The airline plans to increase its fleet of Boeing 727-200 aircraft by two to 22 before the end of calendar year 1985, and to increase services at its Kansas City airport.

Elektrisk Bureau stock suspended during talks

BY FAY GJESTER IN OSLO

THE OSLO Stock Exchange yesterday suspended trading in shares of Elektrisk Bureau EB, the Norwegian electronics and telecommunications group, pending an expected NKR 600m-NKR 800m (\$75-\$98m) takeover deal one of Norway's largest.

The stock exchange said it had been informed that negotiations were in progress between three interested parties concerning transactions affecting half the company's NKR 158.5m share capital. A "rapid decision" was expected, and there-

after trading would be resumed, probably tomorrow.

EB has for months been the target of speculative buying by several groups of investors who are attracted by its most profitable offshoot, Norsk Kabelfabrik. This company accounted for 20 per cent of EB's 1984 group sales, totalling NKR 42,555m, and expects a profit this year of NKR 55m, on NKR 550m turnover.

EB has a market value of just over NKR 1bn, at Tuesday's traded price of NKR 158.5 per share.

May returns steady result

BY OUR NEW YORK STAFF

MAY DEPARTMENT Stores, the big U.S. retailer, recorded little change in second-quarter earnings, which amounted to \$37.4m against \$37m a year earlier. The figure was on sales up to \$1.12bn from \$1.03bn.

Half year profits were \$71.3m on sales of \$2.21bn, compared with \$64.5m on sales of \$1.99bn in last year's corresponding period. Profits per share equalled \$1.62

(\$1.49) for the half year and 86 cents, which was the same as the previous quarter.

Federated Department Stores, the Ohio-based retailer, witnessed a second-quarter profit tumble from \$35m to \$25m or from 72 cents to 51 cents a share despite an increase in sales from \$2.1bn to \$2.2bn.

First half profits amounted to \$75.1m or 51 cents a share.

KNP moves forward in six months

By Laura Raun in Amsterdam

ROYAL DUTCH Paper Mills (KNP), a leading paper manufacturer, confirmed its robust recovery in the first half with earnings soaring 24 times to Fl 62.4m (\$20m) from Fl 2.6m.

KNP predicted a profit rise in the second half as well, virtually assuring another record year in 1985 following last year's Fl 63m net income. The upturn in the paper and packaging markets is expected to continue as part of the general economic rebound.

The Maasrict-based company attributed the sparkling performance in the first six months to higher selling prices and contained costs. Total sales spurred 21 per cent to Fl 851.2m from Fl 702m while costs rose a more modest 12 per cent.

KNP has made aggressive efforts to improve its operating efficiency, product mix and competitive position since a Fl 6.1m loss in 1981. The balance sheet has also strengthened, with the first half witnessing a Fl 75m bond issue, a capital injection from government funds, and internal operations. The cash position leaped to Fl 128.5m from Fl 10.9 at the end of 1984.

Liquid assets, however, are expected to fall in the second half because of payments on a lightweight coated-paper project in Lenoir, Belgium, in which the Flemish regional government has an equity stake. The Lenoir project is to come on stream in 1987 with a 175,000 tonnes a year capacity to meet demand that is expected to expand briskly in coming years. Lightweight coated paper is high-grade paper used for magazines, catalogues and other printed matter with a high circulation.

KNP also is focusing attention on corrugated-board paper activities, where a joint production venture with Bechem-Tetrad will become one of Europe's major producers this year with the addition of a second machine.

KNP's share prices jumped more than Fl 10 to Fl 83 on the Amsterdam stock exchange yesterday.

CALIFORNIA BANK SPENDS \$480M TO GO INTER-STATE

Security Pacific branches out

BY WILLIAM HALL IN NEW YORK

THE ACQUISITION by Security Pacific, the second biggest bank in California, of Arizona Bancwest, the third biggest banking group in the neighbouring state of Arizona, represents a major diversification move for Security Pacific, one of the fastest-growing and most profitable of the U.S. banking majors.

The \$480m deal also gives an important indication of the sorts of premiums the big U.S. banks appear willing to pay in order to get a foothold in new markets which have previously been declared off limits because of the rules barring inter-state banking. Arizona recent-

ly passed legislation permitting takeovers of out-of-state banks.

Arizona Bancwest has assets of \$3.5bn and is the parent of the Arizona Bank, the 85th biggest bank in the U.S. The group earned \$22.5m last year, or \$2.26 per share. Security Pacific has agreed to pay \$45 per share for Arizona Bancwest. Arizona Bancwest's shares were trading at \$31.75 before the announcement on Tuesday afternoon.

On this basis Security Pacific's offer was 42 per cent above the market price, and is equivalent to 19.9 times Arizona Bancwest's 1984 earnings. At the end of June Arizona Bancwest had a net worth of \$170m, or \$17.37 per share.

It is expected that the merger will be consummated on October 1, 1985, as permitted under recent Arizona legislation. Wall Street analysts estimate that the offer is worth roughly 24 times book value a year from now.

Arizona Bancwest, which is headquartered in Phoenix and has 102 branches, has doubled in balance sheet size in the last five years.

Mr. Dick Flansburg, Security Pacific's chairman, said the acquisition "is an attractive investment in one of the world's most dynamic and fastest growing states. It makes good economic sense in that there are very strong business and consumer connections between California and Arizona. We have long conducted activities in Arizona and this will materially increase our presence."

Arizona Bancwest and the Arizona Bank will continue to operate under the same names, management, and board of directors. Mr. Don Jostenrud, Arizona Bancwest's chairman, described the deal as a "good fit for reasons of geography, business style and operating characteristics."

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Swedish regional banks expected to merge

BY KEVIN DONE IN STOCKHOLM

A MERGER between two of Sweden's leading regional commercial banks, Sundsvallsbanken and Uplandsbanken, is expected to be announced after meetings today of the two banks' main boards.

Trading in the shares of both banks was stopped on the Stockholm stock exchange yesterday with the takeover negotiations at an advanced stage.

Sundsvallsbanken was valued at SKr 750m (\$80m) and Uplandsbanken at SKr 380m at the close of trading on Tuesday.

In recent years a series of merger talks has taken place involving different arrangements of Sweden's nine regional commercial banks.

The banks are concerned that their lack of size is becoming a serious handicap to their ability to compete in the quickly-changing Swedish banking market.

Since the beginning of the decade a SKr 250bn money market has been created virtually from scratch. At the same time the whole corporate financial sector has become far more sophisticated.

When foreign banks are admitted to the Swedish banking market ear-

ly next year, competition is expected to increase markedly for international banking services.

At the end of last year Sundsvallsbanken, the biggest of Sweden's regional commercial banks, had total assets of SKr 22.6bn, operating profits of SKr 2.6bn and a workforce of 733. The leading shareholder in the bank is Investment AB Beijer, a Swedish investment company, with some 13 per cent.

Sundsvallsbanken owns around 26 per cent of Arbuthnot Latham, the London-based merchant bank. Uplandsbanken had total assets at the end of 1984 of SKr 8.3bn, operating profits of SKr 123m and a workforce of 700. Custos, a Swedish investment company, owns some 35 per cent of the equity.

Any new bank arising from a merger would have total assets of more than SKr 21bn, placing it in the league of medium-sized Swedish banks behind Göteborgs.

The deadline for applications by foreign banks is October 1, and between 12 and 14 are expected to seek permission to establish subsidiaries in Sweden.

Takeover aids Aga's growth during half

BY OUR STOCKHOLM CORRESPONDENT

AGA, the Swedish industrial group, increased its profits for the first six months of the year by 64 per cent, partly because of its recent SKr 3bn (\$333m) takeover of Uddeholm, the Swedish tooling steel and hydroelectric power company.

It is forecasting profits (after financial items) of more than SKr 900m for the full year, a jump of around 45 per cent.

In the first six months of 1985, group profit was SKr 504m, up from SKr 307m in the same period last year.

The net contribution from the Uddeholm and Tresor subsidiaries was SKr 110m, after taking away the financing costs for Aga's shareholdings in the two companies.

Aga achieved a strong performance in the first half of the year, even excluding the new acquisitions, with income from its traditional gas and refrigeration operations jumping by 29 per cent.

Aga group turnover totalled SKr 4.5bn during the first six months, an increase of 66 per cent from SKr 2.7bn in the same period last year.

Atlas Copco lifts profit 43%

ATLAS COPCO, the Swedish compressors, mining and construction equipment manufacturer, boosted earnings 43 per cent in the first six months to SKr 422m (\$50.8m) from the SKr 296m during the corresponding period last year, writes David Brown in Stockholm.

Invited sales rose 18 per cent in value and 12 per cent in volume to SKr 5bn, which Mr. Olof Sjöström, the deputy managing director, described as the best for many years.

The improvement is attributed to a continued market upswing in Western Europe, which accounts for roughly half of total group sales, as well as high capacity utilisation and lower costs following an extensive rationalisation programme.

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Busy day for Eurobond issues

THE EUROBOND market was alive with the sound of syndicate managers launching deals yesterday, writes Maggie Urry in London.

New issues appeared in a number of currency sectors, while most markets enjoyed a more positive tone.

In the Eurodollar sector the National Bank of Hungary launched its second floating rate note of the year raising \$200m. Its first, for \$100m issued in January, marked the country's return to the international bond markets after a three-year absence. That deal which enabled Nomura International to set finer terms for the new issue, has been trading well.

The pricing is still generous compared with other floaters. The 15-should stir investor interest. The 15-year bonds pay a margin of 4 per cent over London interbank offered rate (Libor) with front end fees of 2 rate (Libor). Investors can ask for early redemption after seven, 10 and 12 years while they are protected from the borrower calling the issue for seven years.

Among fixed rate Eurodollar bonds, where prices were 4 point ahead yesterday, Morgan Guaranty issued a \$75m issue for Aegon, the ma-

for R. J. Reynolds, the tobacco group, with an eight-year life and a 10 1/4 per cent coupon. Issue price is par. The all-in cost to the borrower, including the 2 per cent fees, is 28 basis points over the U.S. Treasury yield curve - considered a traction tight but acceptable. The bonds were being quoted at a discount around the full fees.

Three more dual-currency Euroyen issues appeared, with two being led by firms other than Japanese securities houses for the first time. Daiwa Europe brought a Y50bn issue for the Student Loan Marketing Association which has a 10-year life and will be redeemed in U.S. dollars at an exchange rate of Y192.90 to the dollar. The coupon, payable in yen, is 7 1/2 per cent and issue price is par.

Banque Paribas led a Y20bn deal for Oesterreichische Kontrollbank, the Austrian bank, which matures after 11 years. This pays a 7 1/2 per cent coupon and will be redeemed at an exchange rate of Y192.3 to the dollar. Again issue price is par. A large part of the issue has been placed.

IRJ International led a Y11 1/2bn deal for Anheuser-Busch, the Budweiser beer company. Terms were set at a 10-year life, an 8 per cent coupon and a 101 issue price. The redemption exchange rate is Y208 to the dollar. All three issues pay fees at 2 per cent.

Wood Gundy brought Canadian Pacific, the diversified group, to the Canadian dollar bond market for

CS75m. The five-year bonds pay a 10 1/4 per cent coupon and are issued at par. This market has been difficult of late and new issues are generally slow to move away. These bonds were trading around the 1 1/2 per cent fees, and a good syndicate was assembled.

Another Canadian borrower appeared, this time in the European currency unit market. Xerox Canada launched an Ecu 40m deal led by Banque Paribas, which is thought to be swap-related. The bonds mature December 17 1990 and meanwhile pay a 8 1/4 per cent coupon. Issue price is par, and the bonds were trading within the 1 1/2 per cent fees. The Ecu market has picked up in the last few days with other recent deals moving ahead.

Hopes of an interest rate cut spurred activity in the Swiss franc foreign bond market with prices moving up by 1/4 point. Two new issues were trading for the first time. Glendale Savings and Loan's SwFr 100m 10 year 5 1/2 per cent bonds, which are backed by mortgages, closed at 98 1/4 well down from the par issue price. Kendall's dual-currency issue of SwFr 120m with a 10-year life and 7 per cent coupon closed at 97 compared with the par issue price.

Trading was active in the D-Mark foreign bond market, although overshadowed by the domestic market - with persistent demand. Hopes for further interest rate cuts were encouraged by remarks made by the Bundesbank president.

Czechoslovakia to make early repayment

CZECHOSLOVAKIA is to make early repayments on one of the very few international borrowings it has raised since the Polish debt crisis broke out in 1981, writes Peter Montague in London.

Its Foreign Trade Bank has served notice on agent Deutsche Bank Compagnie Financiere Luxembourg that it will repay next month a \$50m credit signed in 1983, and originally due to mature in 1987.

Bankers say the decision was apparently taken because the credit bears a margin of 1 1/2 per cent over Eurocurrency rates, far higher than the 3/4-1 1/4 per cent margin obtained on a \$100m credit by the same borrower earlier this year.

The repayment is being interpreted in the Euromarkets as confirmation of Czechoslovakia's restrictive policy towards foreign borrowing. Even the more favourable conditions now on offer are unlikely to tempt the country to add to its net international debt, bankers say.

Fisons, the UK pharmaceuticals and chemicals concern, has announced a \$50m Euro-Commercial paper programme, proceeds of which will be used to replace short-term bank borrowings. Credit Suisse First Boston and Morgan Guaranty have been designated dealers for the programme.

August 7, 1985

Chevron Corporation

has sold 83% of its holdings of

Gulf Canada Limited

and granted a purchase option for the balance to

Olympia & York Resources Inc.

The undersigned served as advisors to Chevron Corporation.

Salomon Brothers Inc

Wood Gundy Inc.

\$624,035,000

Northern California Power Agency
HYDROELECTRIC PROJECT NUMBER ONE

MULTIBANK LETTER OF CREDIT PROGRAM
ARRANGED BY
SWISS BANK CORPORATION, NEW YORK BRANCH

IRREVOCABLE LETTERS OF CREDIT PROVIDED BY:

Swiss Bank Corporation
NEW YORK BRANCH

Commonwealth Bank of Australia
NEW YORK BRANCH

Société Générale

The Toronto-Dominion Bank

PARTICIPATING BANKS:

Amsterdam-Rotterdam Bank N.V.

National Westminster Bank PLC
NEW YORK BRANCH

Bank of British Columbia
SAN FRANCISCO AGENCY

The Bank of Nova Scotia

Banque Nationale de Paris
SAN FRANCISCO AGENCY

DG Bank
DEUTSCHE GENOSSENSCHAFTSBANK

Banca della Svizzera Italiana
NEW YORK BRANCH

Bank Leu Ltd.

Banque Paribas

Dresdner Bank AG
LOS ANGELES AGENCY

Lloyds Bank International Limited
SAN FRANCISCO BRANCH

Nederlandsche Middenstandsbank N.V.

Security Pacific National Bank

The Sumitomo Bank, Limited
SAN FRANCISCO AGENCY

Union Bank

Credit Commercial de France
NEW YORK BRANCH

Algemene Bank Nederland N.V.

The Bank of California, N.A.

California First Bank

The Kyowa Bank, Ltd.

Swiss Bank Corporation

NEW YORK BRANCH
AGENT BANK

1985

This announcement appears as a matter of record only.



US\$ 9,016,000

Short Term Oil Financing

Arranged by
Kuwait Foreign Trading Contracting & Investment Co. (KFTCIC)

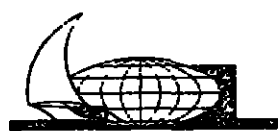
Provided by
Kuwait Foreign Trading Contracting & Investment Co. (KFTCIC)
Asian Oceanic Limited
Al Bahrain Arab African Bank (E.C.)

"ALBAAB"

Al-Saudi Banque (ASB)
Arabian International E.C.
National Bank of Oman Ltd (SAO)
United Overseas Bank, Geneva

Agent

الشركة الكويتية للتجارة والمقاولات والاستثمارات الخارجية
Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.)



May 1985

INTL. COMPANIES & FINANCE

Energy producer in earnings writedown

By Bernard Simon in Toronto

PETRO-CANADA, the Canadian state-owned energy producer, has written down C\$486m (U.S.\$362.7m) from exploration assets in the Arctic and other remote regions, wiping out earnings before special charges of C\$12m in the six months to June 30.

The Crown corporation said the writedowns were prompted by "its new commercial orientation and the decline in world oil prices" but would have no impact on the value of the Government's equity, the cash flow or its ability to fund a substantial investment programme.

Petro-Canada said it had paid its first common share dividends to the Government, totalling C\$50m, since its formation in 1976 as a measure of its ability to carry out its activities from its own internal sources while improving its overall financial performance.

The Government has made no equity contribution to the company this year for the first time since its inception.

Petro-Canada recently agreed to buy a large chunk of Gulf Canada's petrol station network.

Petro-Canada has contributed about 40 per cent of total industry investment for oil and gas exploration in the Labrador, Baffin Island and Arctic regions, where costs are high and lead times exceptionally long.

Genstar offer may bring counter step

By Our Toronto Correspondent

CANADA TRUSTCO's call to its shareholders not to accept an offer for their shares by Genstar, the Vancouver-based conglomerate, indicates that the battle for control of Canada's largest trust company may not be over.

Genstar emerged earlier this week as Canada Trustco's most likely controlling shareholder after building up a 35 per cent stake in the company by share purchases on the open market and the acquisition of the 27.6 per cent interest held by a rival bidder, Manufacturers Life, the Toronto-based insurer.

Canada Trustco is the only major Canadian trust company not controlled by one of the country's rapidly emerging financial conglomerates. Canada Trustco has guarded its independence and management indicated earlier that it opposes Genstar's efforts to acquire the company.

Mr Mervyn Lahn, the trust company's president, said in a letter to shareholders on Tuesday night that they should "refrain from taking any steps to accept the new Genstar offer, pending further developments."

It is assumed that Canada Trustco's management is trying to find an ally to make a bid higher than the C\$45.20 (U.S.\$33.48) a share offered by Genstar for the remaining 65 per cent of Canada Trustco's shares.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for August 21.

U.S. DOLLAR	Issued	Old	Other	day	week	yield
STRAIGHTS						
Austria 10% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 12% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 14% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 16% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 18% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 20% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 22% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 24% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 26% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 28% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 30% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 32% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 34% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 36% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 38% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 40% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 42% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 44% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 46% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 48% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 50% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 52% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 54% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 56% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 58% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 60% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 62% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 64% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 66% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 68% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 70% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 72% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 74% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 76% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 78% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 80% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 82% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 84% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 86% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 88% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 90% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 92% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 94% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 96% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 98% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 100% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 102% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 104% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 106% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 108% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 110% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 112% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 114% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 116% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 118% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 120% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 122% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 124% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 126% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 128% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 130% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 132% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 134% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 136% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 138% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 140% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 142% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 144% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 146% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 148% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 150% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 152% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 154% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 156% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 158% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 160% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 162% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 164% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 166% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 168% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 170% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 172% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 174% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 176% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 178% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 180% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 182% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 184% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 186% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 188% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 190% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 192% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 194% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 196% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 198% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50
Austria 200% 85	100	100 1/2	101 1/2	0 1/2	0 1/2	8.50

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UK COMPANY NEWS

W. H. Smith plans rapid expansion

WITH THE announcement of its results for 1984-85, showing an annual growth rate of 13 per cent at the pre-tax stage, W. H. Smith & Son (Holdings) has outlined its biggest-ever shops and stores expansion programme.

Mr Simon Hornby, the chairman, says the group will see capital spending this year rise from just under £1m to around £3m.

He again denies that the big U.S. acquisition—of Elson group—was in any way a defensive move against any would-be suitors for Smith. "There have been no approaches—not one," he declared.

Turnover in the year ended June 1, 1985 came to £1,077m, compared with £986.45m for the previous 13 months based on unaudited management figures, and with £1,287m recorded for the actual period of 70 weeks ended June 2, 1984. Profit before tax on the same basis reached £43.08m, against £38.4m and £43.45m.

The dividend is being raised. On the A ordinary the final is 3.3p for a net total of 5p, against an adjusted 4.2p, while on the B the final is 0.66p for a net total of 1p (0.94p).

Mr Hornby says the current year has seen a very strong start. The retail division has done well and the Do it All side has maintained its rate of growth. Wholesale operations are satisfactory.

"The level of our dividend

distribution demonstrates our confidence in the future," the chairman states.

He projects that over the next few years the group will be opening 80 to 100 shops and stores a year in the UK, and 50 annually in the U.S.

Within the next month the group will be announcing its first prototype specialist record shop Sounds FX in the South of England. Before Christmas it expects to have 15 at new sites throughout the UK, and within the next two years aims to take the total up to 100.

Specialist book shops also feature within the expansion plans. Before Christmas there will be four and then between eight and ten a year are planned to be opened.

The American Elson chain is also set for rapid growth. Over the next 18 months it plans to add another 50 retail stores to its existing 130-strong chain, and thereafter plans openings of 50 a year.

The acquisition of Elson means the group gearing this year will climb to around 40 per cent from a nil figure at the end of June, and a positive position in the previous year.

Overall, North American operations this year will see eight months' contribution from the new acquisitions, but will make up less than 10 per cent of total group profits.

In 1984-85, sales in the Smith



Mr Simon Hornby, the chairman of W. H. Smith

retail chain of newsagents, book-sellers and stationers were up 5 per cent on the same period previously. The space relocation programme, giving more room to the traditional products—has produced good results and increasing market shares.

There was a major jump in profits of W. H. Smith Do it All and this justifies confidence that the business will develop into an important source of profit growth. At the beginning of June this side traded from 54 stores and 15 more are planned for this year.

Sales increased to £76.33m in 1984-85, a surge of nearly 42 per cent over the previous year, and this produced a pre-tax profit of £1.25m. For the 70 weeks the figure was £1.62m.

The star performance from these operations came on an underlying volume growth of around 24 per cent. Mr Hornby says the return on working assets is just 2 per cent against less than 9 per cent last year—and the ultimate aim is for 30 per cent.

In computer retailing, the group has received "a nasty shock" to its profits but is not disclosing the extent of the shortfall. Computer sales over the year fell back from £28m to £21m. This year sales are likely to fall again, but profits are expected to improve as the emphasis is switched to the software business where margins are better.

In wholesaling, total sales rose by 6.5 per cent to £441.19m over the 12 months, and the profit came to nearly £16m. The figure was £16m for the 70 weeks. Daily newspaper sales held up well despite further price increases.

Included in the pre-tax profit are property profits of £481,000 (£161,000 year) after relocation costs £1,64m, share of related companies £568,000 (loss £88,000), and net interest receivable £37,000 (£10m).

See Lex

Vickers to pay £11.3m for U.S. company

By Lisa Wood

VICKERS, the UK engineering and car group with a growing medical and scientific division, is to acquire Tecca Corporation, a U.S.-based manufacturer and distributor of medical equipment, for about £11.3m (£16m) in cash.

Tecca is the only distributor in the U.S. for Medelec, part of Vickers' medical and scientific division, which manufactures neuro-diagnostic equipment. The acquisition will give Vickers direct access to the U.S. neurology market—50 per cent of the world market for Medelec products.

Mr David Plewsey, chief executive of Vickers, said yesterday the acquisition was strategically important, in line with developing core businesses and expanding international markets for all Vickers' companies.

Vickers' business equipment division recently acquired Comfote, a privately-owned West German company, which manufactures office seating. In 1984 and 1985 respectively Medelec, as part of its strategy to acquire direct access to end-users, bought Medelec Electronics of Belgium and ECM of France.

Tecca has annual sales of \$15m and an audited net worth at the end of 1984 of \$4.4m. It manufactures and sells a range of medical equipment, which includes a range of X-ray machines and X-ray film.

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Hawley improves to £12m and confident for future

DURING the first six months of 1985 the Hawley Group performed well overall despite problems in the home improvements division where a profit shortfall was met by a better-than-expected performance in most other areas.

Group chairman Mr Michael Ashcroft tells shareholders that the results justify the directors' corporate strategy of development of the service-based businesses on both sides of the Atlantic.

He adds that management priorities continue to be the improvement of earnings through higher trading efficiency, greater cost effectiveness and selective expansion.

For the opening six months group sales surged from £119.23m to £193.17m and at the pre-tax level advanced by £11m to £12.12m.

The group, which switched its domicile from London to Bermuda last year and deems its head office to be in Roanoke, New Jersey, is engaged in security services, home improvements and cleaning maintenance.

Following implementation of a group restructuring in the latter part of 1984 the group's ordinary equity was replaced by an issue of common shares on a one-for-one basis.

The interim dividend on the new US\$0.01 shares is 1.75 cents, an increase of 20 per cent over last year's gross equivalent.

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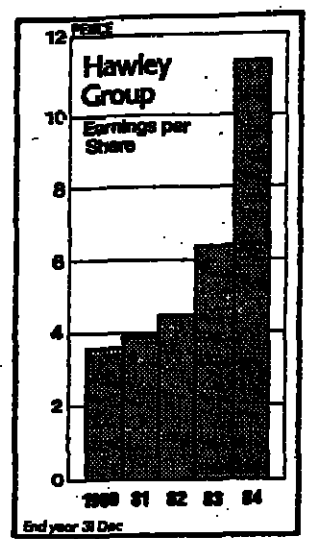
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Tax for the half year accounted for £2.15m against a previous £2.67m to leave net profits £1.72m ahead at £3.90m, or 4.6p (4.1p restated) per share.

Mr Ashcroft says the security and cleaning and maintenance interests are performing well while the integration of the division and integration of the acquisitions continue to be implemented, the benefits of which are taking longer than expected to flow through to the profit line.

Although the pound/dollar exchange rate has moved against the group since the beginning of the year he remains "confident and committed" to the dollar-based revenues in the long term.

The home improvements division suffered from continuing high mortgage interest rates, a complete management reorganisation and difficulties in the turnaround of Moben Kitchens.

Further progress was made in the travel and leisure division, with bookings up on last year. The group's associates also reported an increased contribution.

For the 1984 year as a whole Hawley raised its pre-tax profits from £14.25m to £31.45m.

See Lex

Mersey Docks advances 10%

The Mersey Docks and Harbour Company, which runs the port of Liverpool, lifted pre-tax profits by 10 per cent in the six months to June 30, 1985 but its labour surplus remains an obstacle to progress, according to Mr James Fitzpatrick, chairman.

Pre-tax profits were up from £1.28m to £1.41m on turnover of £28m compared with £27m.

Mr Fitzpatrick says the results were modest but positive. He expects a profit in the second half but warns that maintaining the same level of performance will be more difficult.

The company's labour surplus problems were compounded in the first half when it was obliged to take on another 54 dock workers following the withdrawal

of the Isle of Man Steam Packet Company.

Mr Fitzpatrick says this was at a time when a severance scheme had failed to cut the 250 surplus dock workers. The port employs about 2,000 registered dockers.

He warns that the surplus will have to be reduced if the company is to achieve the reductions essential to its long-term well-being.

In the first half, severance costs of £1.8m (£1.6m) were cancelled out by repayable Government grants of £1.8m (£1.6m). Tax deductions of £400,000 (£300,000) left £1m (£750,000).

There were no extraordinary credits compared with £45,000 in the first half of last year. Earnings per share were 5.8p (5.94p).

It is unlikely that there will

be enough revenue from land sales this year to enable a payment to be made to stockholders in 1986.

A Lands Tribunal hearing to determine compensation over the acquisition of the South Docks to the Mersey-side Development Corporation is due to begin in February 1986.

Among the positive aspects of the first half was the improvement in cargo-handling performance, particularly at the Royal Seaforth Container Terminal.

"Productivity has reached standards which can be matched by few other ports in the UK or Europe," says Mr Fitzpatrick.

Liverpool freeport, the first British freeport in full operation, underwent significant development, handling £16m of goods on behalf of more than 100 companies and creating 40 jobs, he says.

Berths in the port of being reconnected to the national rail network, which will increase its potential to attract traffic.

The repayable grants were received under the Ports (Financial Assistance) Act 1981.

BP sells stake in Johnson Matthey

By Charles Batchelor

British Petroleum appears to have finally given up any thoughts of acquiring Johnson Matthey (JM), the metal refining and chemicals group.

BP announced yesterday it had sold the 3.5 per cent stake it bought in JM last October.

"We have given up the idea of acquiring the company," BP said. It declined to disclose the price at which it sold its 4.75m ordinary shares in JM, but is understood to have made a reasonable profit on the deal.

BP said in February that it had been unable to obtain sufficient information from JM about its trading arrangements to take its approach further at that stage.

BP bought its JM holding after the Bank of England had stepped in to buy JM's troubled banking subsidiary, Johnson Matthey Bankers, for a nominal sum.

BP disposed of its JM holding over several weeks and believes the shares were taken up by a large number of investors. It also sold the 69,330 JM convertible preference shares

SelecTV may call for cash

By Richard Tomkins

SelecTV, the cable television company chaired by Mr Robert Maxwell, yesterday announced pre-tax losses of £255,570 for the year to March and said a substantial rights issue was under consideration.

Losses were reduced from the previous year's £1.04m through a heavy rationalisation of the Northernmost operation during the year and through the disposal of the loss-incurring Milton Keynes business to British Telecom.

Turnover fell to £261,609 (£272,624) but net operating expenses were cut from £516,000 to £260,435. The dividend was again paid but the shares put on 1p to 8p.

Mr Alan Morris, managing director, said the number of subscribers had grown during the year. "But I do not think we are going to see significant profits earned in this financial year."

Mr Maxwell said he remained confident in the long-term prospects for the cable television industry and that SelecTV was working with local and national organisations with a view to applying for Cable Authority franchises to operate in a number of towns and cities.

"It will not, however, be easy for a company with SelecTV's present slender resources to take advantage of the opportunities now arising. Accordingly plans and under active consideration for a substantial rights issue whereby SelecTV can raise sufficient funds to allow it to be a major participant in suitable franchise applications," he said.

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HOW TO MAKE YOUR BELL'S INVESTMENT WORTH 90% MORE.

You probably don't need reminding, but your Bell's shares, only three short months ago, were languishing at a mere 143p each.

Once rumours of a bid started your shares began to climb.

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THE OFFER CLOSES TOMORROW, FRIDAY 23RD AUGUST 1985 AT 3PM.

(Although Guinness reserve the right to extend the offer if a competitive one is made, this seems increasingly unlikely.)

What you probably don't need reminding about either is that the share price in a company which has been the subject of an unsuccessful bid often falls.

Our advice therefore is to complete your acceptance forms for the Guinness offer now.

Forms must reach Barclays Bank PLC, New Issues Department, P.O. Box No. 123, Fleetway House, 25

Farringdon Street, London EC4A 4HD no later than 3.00pm tomorrow Friday 23rd August 1985. (A pre-paid addressed envelope was sent to you with your acceptance forms.)

If you live in Scotland, your acceptance will reach Barclays by the deadline, if you deliver it by 3.30pm today, Thursday 22nd August 1985 to the Manager of any of these branches of Clydesdale Bank PLC:

30 St. Vincent Place, Glasgow,
29 George Street, Edinburgh,
23 South Methven Street, Perth,
96 High Street, Dundee,
5 Castle Street, Aberdeen.

If you have a problem completing your acceptance form please contact Barclays Bank PLC, New Issues Department on 01-248 1234 Ext. 4225.

Alternatively your Bank Manager, Stockbroker or Solicitor may be able to help you.

You've no time to lose. Just a great deal of money.



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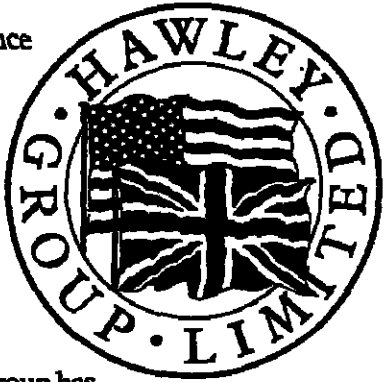
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UK COMPANY NEWS

HAWLEY GROUP: INTERIM RESULTS.

We are pleased to report further consistent progress in performance and profitability. Profits before taxation were up to £12.12m on sales of £193m. Earnings per share have again risen satisfactorily to 4.6p, an increase of 12%. Overall the Group has performed well despite the problems in the home



improvements division. An interim dividend of 1.75 cents has been declared, an increase of 20% over the 1984 equivalent gross dividend and is indicative of your Directors' confidence in the future.

Michael A. Ashcroft
Chairman of the Board and President

Sales (£000)	119,230	193,165
Profit before Taxation (£000)	12,124	11,013
Profit after Taxation (£000)	9,372	8,341
Earnings per Share (p)	4.6	4.1
Dividend per Share (p)	1.75	1.44
6 months ended to June 1985		
6 months ended to June 1984		
12 months ended to Dec 1984		

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Extended warranty losses add to Pearl's problems

HEAVY LOSSES on its UK extended warranty insurance involvement, together with the impact of severe weather last winter and further problems in the U.S., resulted in net profits of Pearl Assurance being halved at the interim stage from £3.36m to £1.61m.

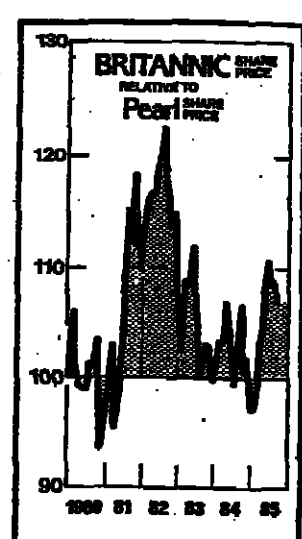
However, the company is lifting its interim dividend by more than 10 per cent from 13.75p to 15.25p—an increase which the board justifies as reflecting the long-term strength of the company.

The company reported a substantial advance on long term profits to shareholders of more than 15 per cent from £7.55m to £8.67m. But this failed to cover a dramatic collapse in Pearl's general insurance and reinsurance business where underwriting losses jumped from £2.88m to £15.12m. This led to net after tax losses of £1.61m in the first half of last year, compared with a profit of £3.36m in the first half of the year.

Pearl's problems this year started with the severe weather in January and February, with the big freeze-up being responsible for underwriting losses in the property account rising from £3.22m last year (itself a poor year) to £1.5m.

The company in common with other insurers experienced problems on its UK motor account with losses rising from £1.42m to £3.64m. However, the effects of a rate increase at the beginning of the year started to come through in the second quarter.

Then the company's UK operations were severely affected by the problems in the extended warranty insurance field—the insurance of white goods and motors for a period (usually



four years) after the end of the manufacturers' warranties. The company has set aside £2.7m to meet its reinsurance liabilities on a portfolio of extended warranty business, including one with the London Electricity Board, which was discontinued in the spring of this year.

In the U.S., the company has taken further steps to reduce its reserves of its reinsurance subsidiary, Monarch of Ohio, and put in a further £500,000 on top of last year's massive capital injection. Pearl has now decided to dispose of the company, talks are in progress with a prospective buyer and the sale is expected to be completed by the end of the year.

A further £1.5m was put into Community Reinsurance Corporation where the business is being run off.

A successful period for new life and pensions business is reported. New annual premiums in the ordinary branch rose 21 per cent from £7.33m to £8.75m, with a 150 per cent jump in self-employed pension premiums (from £1.82m to £4.19m) more than offsetting a 17 per cent drop in life business. Single premium business in the branch however dropped from £11.36m to £10.14m, reflecting a decline in annuity business.

New annual premiums on unit-linked life business rose slightly from £3.15m to £3.25m, even though last year's figure was boosted by the pre-Budget boom ahead of the loss of L&P. New annual premium linked pension business rose over 40 per cent from £280,000 to £1.12m. The company's linked bond business was extremely buoyant, jumping from £3.55m to £4.53m.

comment

Pearl's steadily rising life profits were unable to cope with the severe downturn in its general insurance business at the half year stage. Not only has the company been hit by the big freeze-up early in the year, it has been caught by the problems experienced by insurers operating in the white goods area, while it has had to pump more capital into the ill-fated U.S. ventures. However better weather in the second half of the year, the benefits of rate increases and the decision to sell one of its two U.S. companies together with higher life profits should lead to a slight improvement on last year's £14.5m profit. The share price of £11.3, down 50p on the results, yields 5.4 per cent on a forecast 43p dividend—15 per cent up on last year.

Britannic Assurance payout up

AN 11.76 per cent increase in its interim dividend, from 8.5p to 9.5p, is announced by Britannic Assurance, the Birmingham-based home service insurance company.

As usual, the company gives no other indication of profitability at the halfway stage. Total premium income on its industrial branch account rose by 2.4 per cent from £46.46m to £47.59m, while in the ordinary branch it climbed nearly 10 per cent from £14.57m to £15.98m. Premium income in the general branch was up by 5 per cent

from £3.42m to £3.87m.

The company reports a rather static new business performance in the first half of this year. New annual premiums in the industrial branch were marginally lower at £3.64m against £3.71m, with an underlying growth rate of 5 per cent, slightly below the industry average.

In the ordinary branch, a more than doubled business in self-employed pensions business failed to cover an 18 per cent drop in life business, and new annual premiums were down 2 per cent from £3.71m to £3.64m.

Single premiums were slightly lower.

The only bright spot was the company's unit-linked business with single premium bond sales up nearly 40 per cent from £1.72m to £2.39m. Linked annual premiums amounted to £80,000 since the start of this business in May.

The share price rose 3p to 70p on the announcement, even though the dividend increase was at the lower end of market expectations, yielding 5.6 per cent gross on a forecast 29p dividend for the year.

Astra's £810,000 placing

Astra Holdings, Britain's second largest maker of fireworks, yesterday sold £810,000 worth of shares—nearly 52 per cent of its equity—through a private placement to institutional investors. The company plans to join the Unlisted Securities Market within three years.

Astra was the subject of a £100,000 management buy-out in 1981 and it has since spent £500,000 on modernising its factory and diversifying into marine pyrotechnics, including search bombs, distress flares and explosion simulators. At yesterday's 135p placing price, the privately-owned group is valued at £1.5m.

Taxable profits rose from £24,000 to £102,000 in the year

to last March on sales up from £2.8m to £3.8m. Group forecasts a £300,000 profit for the current year.

Stockbrokers Hichens, Harrison arranged the placing with Astra's £810,000 shares, 51.75 per cent of the company's equity. The price stands at 6.75 times forecast earnings of 20p per share after a 40 per cent tax charge.

The cash, amounting to £615,000 of new money after expenses, will be used to reduce Astra's £705,000 bank borrowings. The company is currently traded under the Stock Exchange's Rule 55 (3), which permits occasional matched share sales subject to the SE's approval.

Hogg Robinson £97,000 payout

Hogg Robinson Group, the international insurance broker, paid out £97,000 for "compensation for loss of office" to former executives in its last financial year ending March 31, 1985. The September 26, 1985 coupon should be detached and presented for payment in the usual manner. The Notes will carry an interest rate of 10 1/4 per cent with a coupon amount of £257.15.

The Notes may be presented for payment at the following addresses:

If By Hand
Manufacturers Hanover Trust Company
130 John Street
Corporate Trust Window
Ground Floor
New York, New York

If By Mail
Manufacturers Hanover Trust Company
Coupon Paying Department
P.O. Box 2862, GPO Station
New York, New York 10116

Vintail spurns bid

DIRECTORS of Vintail SA, a Luxembourg-registered company with interests in oil and gas fields in the U.S., are rejecting a bid from Sherwood Oil, an oil and gas production company.

Grown Shipley, Vintail's merchant bankers, said holders of 30 per cent of Vintail's equity had undertaken not to accept the bid and holders of a further 21 per cent had indicated they did not intend to accept.

Sherwood's offer follows unsuccessful approaches to merge with Vintail, which is quoted on the Luxembourg Stock Exchange. Vintail has an issued share capital of US\$3.2m and its shares are held principally by UK, French and other continental investors.

Sherwood said last week, in announcing the bid, that it had received acceptances for 34 per cent of the company's shares. It said some 20.2 per cent had opted for a cash deal while the rest had given undertakings for an exchange of shares in Sherwood for shares in Vintail. Therefore, not all shareholders were being treated the same, it said.

Milbury shareholder seeks DoT inquiry

BY DAVID GOODHART

A MINORITY shareholder in the building and property group, Milbury, will today seek High Court approval for a Department of Trade inquiry into the company's former chairman, Mr. Jim Raper's St. Piran group.

The St. Piran group has now sold Milbury to Poco Properties, based near Manchester, for £1.18m. But it is understood that Mr. Raper's St. Piran group—acquired by Milbury in 1983 for about £2m—were not part of the deal.

Westminster has now been transferred to Mr. Raper's private "master" company St. Piran following Milbury's failure to repay it a loan. The Stock Exchange has stated that it is looking into "the lack of information" concerning the

default on the loan made to Milbury by St. Piran.

To the year end March 31 1984, Milbury made pre-tax profits of just over £2m on turnover of £25.71m. However earlier this year Milbury Homes (North) ran into liquidity problems and after Mr. Raper's failed attempts to sell the share price collapsed. It was suspended on Tuesday at 18p after Mr. Raper's announcement that his 78.7 per cent stake had been sold.

Poco Properties, a private company, made pre-tax profits of £86,000 on a turnover of £13.7m in 1984.

The minority shareholders in Milbury include S. G. Warburton, the merchant bank with 380,000 shares. Henry Ashcroft—who was acting for Mr. Raper—have now stopped doing so.

David Goodhart on Jim Raper's City wars
Bringing back memories

Mr. Jim Raper, the financier, was described by Department of Trade inspectors in 1981 as "a man of infinite resources and sagacity, like Kipling's Mariner."

But his recent return to prominence in connection with the disposal of the building and property company Milbury will have prompted a new generation of City members in the Stock Exchange and Take-over Panel.

Mr. Raper began a four year battle with the City's regulatory institutions in 1979 when it was alleged he had acquired "with concert parties" more than 30 per cent of St. Piran, the mining and building group, without making a full bid as required under the Take-over Code.

In May 1980 St. Piran's share listing was frozen and in June of the same year the Take-over Panel delivered one of its most stinging rebukes on record by describing Mr. Raper as "unfit to be a director of a public company." It also ordered him to make a full bid for St. Piran at 50p.

Mr. Raper struck back by describing the Panel's actions as "disgraceful" and accused it of acting like a "Star Chamber." He eventually did make a full bid but offered only 50p, later 60p, a share. Most shareholders accepted the 60p offer and washed their hands of the controversy.

A Department of Trade investigation came to conclusions broadly in line with the Panel's and the inspectors' report called on the Take-over Panel, then Mr. John Biffen, to use his powers to petition the court to wind up St. Piran. Mr. Biffen decided, however, to ignore this advice saying that "the investigation could not be in the public interest."

The case had meanwhile assumed an importance quite out of proportion with the size of the company. It was seen by critics of the City as conclusive proof that the self-regulatory system does not work and even supporters of the system had to concede that effective statutory regulation was needed to support the non-statutory code.

For the next two years Mr. Raper remained an outcast with no dealing permitted in any of his companies and stockbrokers and merchant bankers barred from having dealings with him. In February 1983 cold war

turned to hot war again when Mr. Raper, having built up a 29.9 per cent stake in the Westminster Property Group, acquired—in the form of a mortgage—a further 15 per cent from Mr. David Kirch, a Jersey-based property developer, in return for a £1m loan.

This Take-over Panel ruled that this amounted to full purchase of the shares and instructed him to make a full bid. For several weeks he again defied the City authorities—then quite unexpectedly, peace broke out.

As the advocates of self-regulation had hoped the price of excommunication eventually became too high for Mr. Raper and he agreed to make a (successful) full bid. In return the Stock Exchange demanded his resignation. "He is unfit to be a director of a public company" and lifted its ban on his companies.

He was later quoted as saying that his reputation as a man at war with the City had hampered his expansion plans and that he had suffered from being denied access to the expertise and advice of merchant banks.

For the last 18 months all has been quiet—apart from a rumbling legal action in the Isle of Man—by in view of the latest Milbury controversy a lot of "I told you so's" are now being whispered around the City. One senior City figure said rather bitterly last night "We thought we had him back in the fold but it now all seems to have gone terribly wrong."

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REJECT THE GUINNESS OFFER

Here's why

BELL'S has growth potential

- * BELL'S had 4.3 per cent by volume of total Scotch Whisky industry exports to the ten largest export markets (excluding the U.S.A.) during calendar 1984. In calendar 1982, our share was only 3.5 per cent. There is substantial scope for profitable growth abroad as BELL'S moves towards the 20 per cent market share which BELL'S has already achieved in the U.K.
- * BELL'S is moving ahead in the U.S.A. - the acquisition of Wellington Importers, the hiring of key personnel and the promotional expenditure have all been necessary steps towards future success.
- * The newly reopened Piccadilly Hotel can again contribute to profits. BELL'S is determined to maximise profitability and capital appreciation from its hotels business.
- * BELL'S has a record of strong cash flow. Future cash flow will be available to invest in new sources of profits.

BELL'S is a sound investment

- * BELL'S ordinary shares have an above-average dividend yield. At the Guinness paper offer value of 271p, BELL'S shares have a dividend yield of 4.22 per cent based on the dividend forecast of 8p (net) per ordinary share for 1984/85. That is a higher yield than shown by the FT-Actuaries Industrial Group (which is 4.04 per cent) and is higher than the yield on Guinness ordinary stock units, which is 3.78 per cent.
- * BELL'S is forecasting a further increase of not less than 15 per cent in dividends for the current financial year.
- * The average price earnings multiple of industrial company shares is 12.93. With that multiple applied to non-hotel profits alone, the value of a BELL'S share would be 210p with the value of the hotels in the price for nothing.
- * The BELL'S team of Board and management remains dedicated to the successful growth of the BELL'S business.

(a) The source of the figures for total Scotch Whisky industry exports to the ten largest export markets excluding the U.S.A. was the Scotch Whisky Association.
(b) The statement of BELL'S strong cash flow is based on the net cash inflow from the on-going businesses of BELL'S, before acquisitions of fixed assets and investments and excluding proceeds from disposals, over the three years ended 30th June, 1984, of £28.1 million.
(c) The value of Guinness' paper offer of 271p per BELL'S share was based on the middle market closing price of Guinness ordinary stock units of 272p as shown in The Stock Exchange Daily Official List dated 19th August, 1985 (being the latest practicable date before publication of this

advertisement) and by valuing the proposed 81 per cent convertible unsecured loan stock of Guinness at par.
(d) The source of the average price earnings multiple of industrial company shares was the FT-Actuaries Industrial Group Index on 19th August, 1985. The earnings per share to which this multiple was applied were the estimated profits after taxation and preference dividends of the Non-Hotels Group set out in the letter dated 5th August, 1985, divided by the existing issued ordinary share capital of BELL'S.
(e) The yield on Guinness ordinary stock units is based on the forecast dividend of 7.2p (net) for the year ending 30th September, 1985 and the price of Guinness ordinary stock units calculated in accordance with paragraph (c) above.

IGNORE THE GUINNESS SLOGANS

The Guinness bid worth 245p cash or
271p in paper IS NOT ENOUGH

Guinness' publicity masks its basic weaknesses
in business and management methods

REJECT THE GUINNESS OFFER RETAIN BELL'S FOR YOURSELVES

This advertisement is published by Arthur Bell & Sons plc whose directors (other than Mr. P.R. Tyrie) have taken all reasonable care to ensure that the facts stated and opinions expressed herein are fair and accurate and each of the directors accepts responsibility accordingly.

Financial Times Thursday August 22 1990

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INSURANCE, OVERSEAS & MONEY FUNDS

[illegible][illegible][illegible]

COMMODITIES AND AGRICULTURE

Caribbean producers ask U.S. to buy more sugar

BY NANCY DUNNE IN WASHINGTON

THE Sugar-producing nations of the Caribbean, desperate to increase exports in the face of a shrinking world market, have asked the U.S. Secretary of State to help increase their share of the American sugar market.

In a letter to Mr. George Shultz, the Caribbean Basin Initiative (CBI) sugar group has asked for support of a scheme which would allow them to export an additional 1m tonnes of sugar for ruming into sugar syrup.

The group said the plan would mean no loss of sales for U.S. sugar producers, who, under a government sugar programme, have been guaranteed about 21 cents a pound for their crops. The plan, however, would affect the expanding maize sweetener market just when farmers are expected to produce a record maize crop.

The group's proposal is receiving serious consideration from an interagency working group, according to Mr. Richard N. Holwell, deputy assistant secretary of state for the Caribbean—however, a decision

SUGAR PRICES dropped sharply on the futures markets in London and New York after the European Commission announced a larger-than-expected volume of export authorisations at its weekly tender yesterday. It awarded licences for a total of 34,480 tonnes of white and raw sugar—well above levels seen in recent weeks. The market reaction, which saw losses of between \$5.50 and \$7 a tonne, demonstrated how sensitive prices remain to EEC sugar dumping, despite the Commission's recent decision to peg export subsidies at a maximum of £45.23 per 100 kg. It also underlined recent signs of firmness produced by Brazil's plans to restrain and defer exports.

could take months, and time is running out for many Latin American sugar companies, which are on the brink of bankruptcy. The U.S. sugar price support

programme, instituted in the 1981 Farm Bill, has raised domestic prices, produced an oversupply of domestic sugar and triggered a series of fees on imported sugar. Meanwhile, many of the Caribbean country economies have worsened.

"Without sugar we're broke," says Mr. Jose Antonio Montes, press spokesman for the Guatemalan embassy in Washington. Because of climate and the topography, CBI producers have no option but to produce sugar. In two more years, he said, "we won't be able to produce for the U.S. or world market" where the EEC is dumping sugar and driving down prices.

Mr. Montes said the sugar programme has more than wiped out the benefits of the high-touted Reagan Administration CBI initiative. "We want trade," he said, and Mr. Holwell agreed, while at the same time noting that EEC export subsidies on sugar are "doing more harm than anything else" to the impoverished, unstable sugar producers in the region.

Settlement reached in nickel mine shutdown

By Bernard Simon in Toronto

A STRIKE by 1,850 production and maintenance workers yesterday shut down Falconbridge's nickel mining operations at Sudbury, Ontario, including six smelters, two mills and a smelter.

However, within two hours of the strike starting, management and the local branch of the Mine, Mill and Smelter Union reached a tentative settlement, due to be ratified today.

About 75 per cent of local union members had earlier voted to reject a new contract offering a 15 per cent wage increase over the next three years. Negotiations between the company and the union were stalled on the interpretation of provisions relating to cost of living allowances worth 12 cents an hour.

Company officials said the Sudbury stoppage has not caused problems in supplying nickel to its customers.

Andrew Gowers writes: On the London Metal Exchange, nickel prices—which had risen strongly during the morning on pre-emptive buying ahead of the strike news—dropped later on profit-taking. But the cash price was still \$25.50 on the day after the official close of \$25.15 per tonne.

Meanwhile, in its weekly metals review, Shearson Lehman Bros predicted that nickel prices may rebound in the short term from the depths they have been plunging recently.

U.S. petroleum stocks rose last week but continued to lag well behind last year's levels, according to the American Petroleum Institute (API), writes Nancy Dunne.

Stocks of crude oil rose by 1.5m barrels during the week to 225m barrels, but fell almost 20m barrels behind the same week in 1984.

Stocks of distillate fuel oil, almost 14m barrels behind last year, rose during the week to 118m barrels. Residual fuel oil stocks edged up slightly to 118m barrels, 14.6m behind 1984.

Of petroleum, 70 per cent to 227.4m barrels, up almost 1m barrels from last week but 5.6m barrels lower than last year.

John Buckley on how prices are testing consumer loyalty Chefs go cool over groundnut oil

THE long-standing loyalty of European chefs to their favourite cooking oil, that produced from groundnuts, is coming under unprecedented strain as a result of a sustained period of high prices.

For the past decade, much of Continental Europe has found a ready home for whatever groundnut oil producers could offer. Chefs in the better restaurants and cooks in the swankier homes stuck with the oil through thick and thin despite its irritating habit of hopping between \$600 and \$1,200 per tonne, often with little advance notice.

This is mainly because of the unique properties groundnut oil displays. In particular, its remarkable capacity for reuse endeared it to the French chef who might fry fish, vegetables or the meat in rapid succession in the same pan, without the danger of one dish tainting the others.

"Some consumers will buy groundnut oil at almost any price," said a leading dealer.

But recent events, with the price remaining high for an unusually long time over the last two years, have shown that even this predilection has its limits.

In the past, whenever the price of not oil has flared with the \$1,200 mark, it has soon afterwards crashed back to half that level. This time, the market seems to be reluctant to move far from a band between \$650 and \$800.

Thanks largely to a particularly severe period of shortage

of West African oil and the accompanying "famine" of competitor oils through much of 1984/85, groundnut has remained in short supply. Con-

ment shortages. China and India are both large groundnut producers, but neither can be relied upon to export oil, partly because of domestic demand and partly because price rises

dominantly favour growing quality nuts for table/confectionary use rather than crushing for oil. Trade analysts are mixed in their opinions of where groundnut goes next. On the one hand, African production does seem to be gradually recovering while Brazil is re-examining the crop as soyabean returns turn sour. High prices also have a habit of tempting out unexpected parcels from less regular suppliers: the U.S., for example, sometimes finds it economical to crush and sell to Europe if premiums here can cover the freight.

However, while the probable easing of supply is already fore-shadowed by some recent declines in prices, some traders express concern over the damage that has been done by the long period of high prices. French imports, for example, actually started to recover in 1984.

This decline, reflected across Europe, is also due to rising popularity of sunflower oil which has recently traded at a \$300 discount to groundnut and seems set to substitute its peer still further if the differential persists.

Already, this has prompted the French to hasten their sunflower oil plantations to 50,000 hectares which could produce a crop this year of more than

1.2m tonnes against last year's record 890,000 and less than 100,000 in the late seventies.

Like rapeseed, sunflower in the EEC enjoys handsome

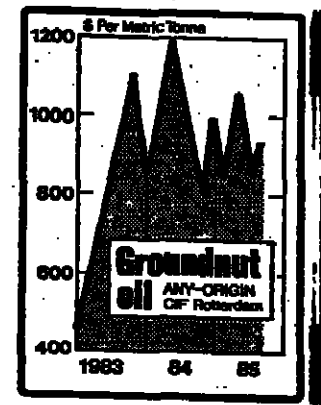
crush subsidies to help it compete. As sunflower—which needs to command its own premium over inferior oils—finds these rivals flooding the market, and margins are squeezed, the territory now occupied by groundnut.

Groundnut oil is unlikely to take the competition quietly. During second quarter 1985, French imports actually started to recover. However, industry sources say this is less a reflection of partial easing in price than of a struggle between rival importers. The French oilseed giant Lesieur has moved into the margarine market, encouraging Unilever to attack Lesieur's "soft under-belly"—its groundnut oil trade. Whether this will mean a new era of contented consumers, however, remains to be seen.

FRENCH GROUNDNUT OIL IMPORTS

	1980	247,000
	1981	161,200
	1982	184,200
	1983	221,100
	1984	124,100
	1985*	61,800

* January/May



Restriction urged in copper contract

BY ANDREW GOWERS

PRODUCERS and consumers of copper yesterday pressed the London Metal Exchange (LME) to restrict the scope of its planned high-quality copper contract by excluding all but a small handful of wirebar brands.

The move came at a meeting in London between representatives of copper producers and consumers from countries ranging from Chile and Peru to Japan and West Germany, at which they discussed the implementation of a new contract, the new "grade A" contract. LME officials were present as observers.

The LME agreed earlier this month to introduce this contract, which would incorporate presently-listed higher grade cathodes and a selected number of wirebar brands, in late 1986.

It is designed as a response to demands from the copper industry for a contract system which differentiates clearly between high-quality and other grades of metal and thus reflects the changing pattern of copper consumption.

A list of 12 wirebar brands has been proposed for the new contract by an LME working party.

The industry, some segments of which originally wanted all wirebars struck out of the new contract, told the Exchange yesterday that this included some brands which were no longer regularly produced, as well as some which were regarded as of lower quality.

The International Wrought Copper Council, representing

European and Japanese copper fabricators, wants the contract to incorporate only those wirebars which are in current, regular and substantial production and which meet the quality requirements.

The LME hopes to announce details of the new contract structure sometime before the end of September with a view to introducing trading in it by the end of 1986.

Producers and consumers appear divided, however, on the desired start date for trading in the new contract. London's International Petroleum Exchange (IPE) yesterday moved to broaden participation in trading on its gas oil futures market by effectively allowing "locals" to lease seats on non-clearing traders.

LONDON MARKETS

ALUMINIUM prices firmed slightly yesterday afternoon on the London Metal Exchange against a background of reports that Kaiser Aluminium, the U.S. producer, is cutting output by 27,500 short tons at its smelter in Mead, Washington.

In other base metals, three-month zinc dropped on trade selling and liquidation, lead was quietly steady, copper was barely changed and tin was down slightly, with the International Tin Council buffer stock manager continuing to buy in defense of the \$3,000-a-tonne level.

Among other markets, coffee futures edged up by 57¢ at \$1,724.50 per tonne against a background of concern about rot disease in Brazil. Coffee ended a dull day below Tuesday's close in the face of an absence of

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

	Unofficial + or -	High/Low
Cash	735.5 +2	734
3 months	759.5 +3	758/761

Official closing (am): Cash 733.5 (729.5-70), three months 757.5 (752.5-3), settlement 734 (730). Final Korb close: 755.4. Turnover: 5,100 tonnes.

COPPER

	Unofficial + or -	High/Low
Cash	1984.5 -5	1984
3 months	1985.5 +5	1985/1986

Official closing (am): Cash 1,985.5 (1,980.5-70), three months 1,990.5 (1,985.5-20), settlement 1,985.5 (1,980.5-20). Final Korb close: 1,985.5. Turnover: 20,000 tonnes. U.S. Producer prices: 20,000 cents per pound.

LEAD

	Unofficial + or -	High/Low
Cash	201.5 +0.5	201/202
3 months	201.5 +0.5	201/202

Official closing (am): Cash 201.5 (200.5-70), three months 201.5 (200.5-20), settlement 201.5 (200.5-20). Final Korb close: 201.5. Turnover: 8,175 tonnes. U.S. Spot: 19 cents per pound.

NICKEL

	Unofficial + or -	High/Low
Cash	301.5 +0.5	301/302
3 months	301.5 +0.5	301/302

Official closing (am): Cash 301.5 (300.5-70), three months 301.5 (300.5-20), settlement 301.5 (300.5-20). Final Korb close: 301.5. Turnover: 8,175 tonnes. U.S. Spot: 19 cents per pound.

ZINC

	Unofficial + or -	High/Low
Cash	594.5 -0.5	594
3 months	599.5 -0.5	599

Official closing (am): Cash 594.5 (593.5-70), three months 599.5 (598.5-20), settlement 597.5 (596.5-20). Final Korb close: 597.5. Turnover: 71,000 tonnes. U.S. Prime Western: 41-47 cents per pound.

MAIN PRICE CHANGES

In terms unless otherwise stated.

Aug 21 + or - Month

1985 -1984

METALS

Aluminium	\$1,100	+0.5	\$1,100
Copper	\$1,985	-5	\$1,985
Lead	\$201.5	+0.5	\$201.5
Nickel	\$301.5	+0.5	\$301.5
Silver	\$460	+0.5	\$460
Tin	\$7,500	-10	\$7,500
Zinc	\$594.5	-0.5	\$594.5

Official closing (am): Cash 733.5 (729.5-70), three months 757.5 (752.5-3), settlement 734 (730). Final Korb close: 755.4. Turnover: 5,100 tonnes.

TIN

	Unofficial + or -	High/Low
Cash	759.5 +3	758/761
3 months	759.5 +3	758/761

Official closing (am): Cash 757.5 (752.5-3), settlement 734 (730). Final Korb close: 755.4. Turnover: 5,100 tonnes.

GOLD

	Unofficial + or -	High/Low
Cash	374.2 +0.5	374
3 months	374.2 +0.5	374

Official closing (am): Cash 374.2 (373.2-70), three months 374.2 (373.2-20), settlement 374.2 (373.2-20). Final Korb close: 374.2. Turnover: 8,175 tonnes. U.S. Spot: 19 cents per pound.

SILVER

	Unofficial + or -	High/Low
Cash	460.5 +0.5	460
3 months	460.5 +0.5	460

Official closing (am): Cash 460.5 (459.5-70), three months 460.5 (459.5-20), settlement 460.5 (459.5-20). Final Korb close: 460.5. Turnover: 8,175 tonnes. U.S. Spot: 19 cents per pound.

NICKEL

	Unofficial + or -	High/Low
Cash	301.5 +0.5	301/302
3 months	301.5 +0.5	301/302

Official closing (am): Cash 301.5 (300.5-70), three months 301.5 (300.5-20), settlement 301.5 (300.5-20). Final Korb close: 301.5. Turnover: 8,175 tonnes. U.S. Spot: 19 cents per pound.

ZINC

	Unofficial + or -	High/Low
Cash	594.5 -0.5	594
3 months	599.5 -0.5	599

Official closing (am): Cash 594.5 (593.5-70), three months 599.5 (598.5-20), settlement 597.5 (596.5-20). Final Korb close: 597.5. Turnover: 71,000 tonnes. U.S. Prime Western: 41-47 cents per pound.

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251.75, 251.04, 250.91, 250.82

(Base: July 1 1982 = 100)

REUTERS

Aug 21/22 1985

1985, 1984, 1983, 1982, 1981, 1980

(Base: December 31 1974 = 100)

DOW JONES

Aug 21/22 1985

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High Low Stock Price % Chg % Yld

Undated

High Low Stock Price % Chg % Yld

Index Linked

High Low Stock Price % Chg % Yld

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High Low Stock Price % Chg % Yld

CORPORATION BONDS

High Low Stock Price % Chg % Yld

COMMONWEALTH & AFRICAN BONDS

High Low Stock Price % Chg % Yld

LOANS

High Low Stock Price % Chg % Yld

Public Board and Ind.

High Low Stock Price % Chg % Yld

FOREIGN BONDS & RAILS

High Low Stock Price % Chg % Yld

AMERICANS

High Low Stock Price % Chg % Yld

AMERICANS—Cont.

High Low Stock Price % Chg % Yld

CANADIANS

High Low Stock Price % Chg % Yld

BANKS, PR & LEASING

High Low Stock Price % Chg % Yld

BEERS, WINES & SPIRITS

High Low Stock Price % Chg % Yld

BUILDING, TIMBER, ROADS

High Low Stock Price % Chg % Yld

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS—Cont.

High Low Stock Price % Chg % Yld

DRAPERY & STORES—Cont.

High Low Stock Price % Chg % Yld

ELECTRICALS

High Low Stock Price % Chg % Yld

CHEMICALS, PLASTICS

High Low Stock Price % Chg % Yld

DRAPERY AND STORES

High Low Stock Price % Chg % Yld

FOOD, GROCERIES ETC

High Low Stock Price % Chg % Yld

HOTELS AND CATERERS

High Low Stock Price % Chg % Yld

ENGINEERING

High Low Stock Price % Chg % Yld

HOTELS—Continued

High Low Stock Price % Chg % Yld

INDUSTRIALS (Misc.)

High Low Stock Price % Chg % Yld

INDUSTRIALS—Continued[illegible]**LEISURE—Continued**[illegible]**PROPERTY—Continued**
+ or - Dry[illegible]

1985	Stock	Bonds	+ or -	Div Yld
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[illegible]**FINANCE, LAND—Cont**

IN	Stock	Price	% ch	Div Yld
00	AM. & C. Corp.	100		
01	Allegiance Inc., 100	634		
02	Altman (R.P.) 50	468		
03	Amalgamated	2700-2		3412
04	Amazonee Corp/CPPI	200-2		22548
05	Math & Allies	370		06
06	BIAC Inc. 100	125	+1	
07	AMT 130 25	13		
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MINES—Continued

1985	Low	Stack	Price	Net	Der	Gr's
O.F.S.						
213	Beazins Mweel	227	---	---	---	---
350	Fros State Dev. 50c	375	---	0750	---	6.0
113	F.S. Carded 50c	124	---	0350	2.4	7.0
703	Marway 50c	710	---	0200	---	6
203	Larney 50c	231	---	---	---	---
724	Pres. Broom 50c	1354	---	03300	3.4	7.0
1134	Pres. Stern 50c	125	---	03000	1.7	6.0
685	S. Helveta 50c	728	---	01010	---	10.3
436	Unkel	545	---	01010	1.0	9.5
399	Wetland 50c	1174	---	00500	2.0	9.4

Diamond and Platinum

50	132	Anglo-Am. Inv. 50c	137				
50	326	De Beers D. Sc.	137	-10	7040c	47	36
00	425	Do. 40c Pl. R5	625		0200c	14	0
00	1114	Impala Plat. 20c	603	+3	0135c	7	9
00	380	Lydenburg 121c	605		650c	3	7
05	475	Ros. Plat. 10c	533	-7	090c	14	5.1

Central African							
00	132	Anglo-Am. Inv. 50c	137				
00	326	De Beers D. Sc.	137	-10	7040c	47	36
00	425	Do. 40c Pl. R5	625		0200c	14	0
00	1114	Impala Plat. 20c	603	+3	0135c	7	9
00	380	Lydenburg 121c	605		650c	3	7
05	475	Ros. Plat. 10c	533	-7	090c	14	5.1

Central African

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Australians

[illegible]

PGM Kingbird Ex ...	12
PGreat Eastern Mex ...	18
PGreat Victoria Gold ...	18

67	1	WIMAC Acad. Mill 200	4	24	
11	2	Weyburn NW	5	24	
40	3	Wheat Plains 2	5	21	
40	4	Wheat Plains 3	6	40	
24	5	Wheat Plains 4	10	30	
14	6	Wheat Plains 5	17	3	
26	7	Wheat Plains 6	20	26	
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10 Pan Pacific Pet NL	3
10 Pan Am Eas Ea	65

[illegible]

12	Ayer Hilari SM1	2
68	Geover	1

[illegible]

24	Enner Lot 10p
115	Hampton Areas 10p
125	Highwood Rec

6.5	222	171	Honolulu Mining S1	2197	10	620	7.2
8.2	222	171	MidFlair Res Ltd	225	-10	-	-
5.6	35	195	Whaka Explorations	328	5	-	-
10.8	55	23	New Sabina Res CS1	47	-1	-	-
3.8	375	245	Norstar CS1	360	-5	28.0	2.7 4.9
8.6	685	533	RTZ	500	-12	24.0	0.1
13.9	1455	1167	Da. 990Ln '95-2000	1220	+10	-	-
19.9	144	110	WTare Expts S1	610	-	-	-

NOTES

Unless otherwise indicated, prices and net discounts are in prices and denominations are 25¢. Estimated production costs and covers are based on latest annual reports. Prices are calculated on "net" distribution basis, examples per share based on company price at time of transaction and unweighted ACT where applicable; bracketed figures indicate 10 per cent or more "net" distribution; calculated on "net" distribution. Covers are based on 10 per cent "net" distribution; this company's gross dividend is 10 per cent profit after taxation, excluding exceptional circumstances, but including estimated excess of offsettable ACT. Prices are based on middle prices, are gross, subject to ACT of 30 per cent and allow for value of declared distribution and rights.

Highs and Lows marked that, have been
or cash.

1	1	Interim stock indentures or registration statements not yet filed.
2	5.8	Interim stock redemptions, issued or deferred.
3	1.5	Tax-free to subsidiaries on application.
4	1.1	Figures or report omitted.
5	10.1	Not officially UK listed; dealings permitted under Rule 5354(a).
6	1.5	USAR; not based on State Exchange and company not subjected to same degree of regulation as listed securities.
7	11	Debt in under Rule 5353(c).
8	9.0	Price at time of suspension.
9	6	Indicated dividend after pending stock and/or rights issue; cover relates to previous dividend or forecast.
10	12.0	Merger bid or reorganization in progress.
11	4.7	

Forecast dividend, cover on earnings
 Convert allows for conversion of stock

* Looking only for restricted dividend.
 * Cover does not allow for shares which may also rank for dividends at future date. No P/E ratio usually provided.
 H No par value.
 B.F. Bergan Financial Fr. French Franc. 66 Yield based on assumption Treasury Dept. 1980 study; unchanged until maturity of stock. A Tax free
 13.8
 7.0
 5.7
 2.4
 2.0
 2.6

interim higher than previous total in preliminary figures. A Dandev and

[illegible]

REGIONAL &

RETAIL		FINANCIAL	
The following is a selection of		Regional and local stores, the latter be-	
		quoted in first currency.	
Albany Inc 20c	96	Ampco	180
Craig & Rose 23	70	CPH Hedges	147
Fidelity Plus 20	60	Dartm Inst.	63
Northern Brew	235	Control Gas	57-3
Local Unit 25c	739	Hall (R. & L.)	19
Intl Sun. Cl.	87	Metrom Hedges	46
		Sears (W.J.R.)	100
		Univores	95ml
Fund 114% of 1980	EXOTIC		
	UNITED		

13% 97/02 11/10/02

"Recent Issues" and "Rights" Page 30
(International Edition Page 30)

This service is available to every Company dealt in on the
Exchanges throughout the United Kingdom for a fee of £800
annum for each security.

• **1990** – **1991** – **1992** – **1993** – **1994** – **1995** – **1996** – **1997** – **1998** – **1999** – **2000** – **2001** – **2002** – **2003** – **2004** – **2005** – **2006** – **2007** – **2008** – **2009** – **2010** – **2011** – **2012** – **2013** – **2014** – **2015** – **2016** – **2017** – **2018** – **2019** – **2020** – **2021** – **2022** – **2023** – **2024** – **2025** – **2026** – **2027** – **2028** – **2029** – **2030** – **2031** – **2032** – **2033** – **2034** – **2035** – **2036** – **2037** – **2038** – **2039** – **2040** – **2041** – **2042** – **2043** – **2044** – **2045** – **2046** – **2047** – **2048** – **2049** – **2050** – **2051** – **2052** – **2053** – **2054** – **2055** – **2056** – **2057** – **2058** – **2059** – **2060** – **2061** – **2062** – **2063** – **2064** – **2065** – **2066** – **2067** – **2068** – **2069** – **2070** – **2071** – **2072** – **2073** – **2074** – **2075** – **2076** – **2077** – **2078** – **2079** – **2080** – **2081** – **2082** – **2083** – **2084** – **2085** – **2086** – **2087** – **2088** – **2089** – **2090** – **2091** – **2092** – **2093** – **2094** – **2095** – **2096** – **2097** – **2098** – **2099** – **2100** – **2101** – **2102** – **2103** – **2104** – **2105** – **2106** – **2107** – **2108** – **2109** – **2110** – **2111** – **2112** – **2113** – **2114** – **2115** – **2116** – **2117** – **2118** – **2119** – **2120** – **2121** – **2122** – **2123** – **2124** – **2125** – **2126** – **2127** – **2128** – **2129** – **2130** – **2131** – **2132** – **2133** – **2134** – **2135** – **2136** – **2137** – **2138** – **2139** – **2140** – **2141** – **2142** – **2143** – **2144** – **2145** – **2146** – **2147** – **2148** – **2149** – **2150** – **2151** – **2152** – **2153** – **2154** – **2155** – **2156** – **2157** – **2158** – **2159** – **2160** – **2161** – **2162** – **2163** – **2164** – **2165** – **2166** – **2167** – **2168** – **2169** – **2170** – **2171** – **2172** – **2173** – **2174** – **2175** – **2176** – **2177** – **2178** – **2179** – **2180** – **2181** – **2182** – **2183** – **2184** – **2185** – **2186** – **2187** – **2188** – **2189** – **2190** – **2191** – **2192** – **2193** – **2194** – **2195** – **2196** – **2197** – **2198** – **2199** – **2200** – **2201** – **2202** – **2203** – **2204** – **2205** – **2206** – **2207** – **2208** – **2209** – **2210** – **2211** – **2212** – **2213** – **2214** – **2215** – **2216** – **2217** – **2218** – **2219** – **2220** – **2221** – **2222** – **2223** – **2224** – **2225** – **2226** – **2227** – **2228** – **2229** – **2230** – **2231** – **2232** – **2233** – **2234** – **2235** – **2236** – **2237** – **2238** – **2239** – **2240** – **2241** – **2242** – **2243** – **2244** – **2245** – **2246** – **2247** – **2248** – **2249** – **2250** – **2251** – **2252** – **2253** – **2254** – **2255** – **2256** – **2257** – **2258** – **2259** – **2260** – **2261** – **2262** – **2263** – **2264** – **2265** – **2266** – **2267** – **2268** – **2269** – **2270** – **2271** – **2272** – **2273** – **2274** – **2275** – **2276** – **2277** – **2278** – **2279** – **2280** – **2281** – **2282** – **2283** – **2284** – **2285** – **2286** – **2287** – **2288** – **2289** – **2290** – **2291** – **2292** – **2293** – **2294** – **2295** – **2296** – **2297** – **2298** – **2299** – **2300** – **2301** – **2302** – **2303** – **2304** – **2305** – **2306** – **2307** – **2308** – **2309** – **2310** – **2311** – **2312** – **2313** – **2314** – **2315** – **2316** – **2317** – **2318** – **2319** – **2320** – **2321** – **2322** – **2323** – **2324** – **2325** – **2326** – **2327** – **2328** – **2329** – **2330** – **2331** – **2332** – **2333** – **2334** – **2335** – **2336** – **2337** – **2338** – **2339** – **2340** – **2341** – **2342** – **2343** – **2344** – **2345** – **2346** – **2347** – **2348** – **2349** – **2350** – **2351** – **2352** – **2353** – **2354** – **2355** – **2356** – **2357** – **2358** – **2359** – **2360** – **2361** – <

LONDON STOCK EXCHANGE

MARKET REPORT

Equities continue firm on lower inflation forecast

Index moves up 6.0 more to 988.2

Account Dealing Dates
Options
First Declared Last Account
Dealings from Dealings Day
July 29 Aug 5 Aug 12 Aug 19 Aug 26 Aug 30 Aug 31
Sept 2 Sept 13 Sept 23
Note: Dealings may take place from 8.30 on two business days earlier.

The strong showing by Wall Street on Tuesday and indications that UK inflation could have fallen from the current figure of around 7 per cent by the fourth quarter of next year gave further impetus to London stock markets yesterday.

Equity sectors took Tuesday's rally a stage further with investors apparently ignoring the more bearish indications of the latest report from the National Institute of Economic and Social Research. This pointed to stagnant growth in industrial output and rising unemployment. However, the domestic inflation forecast from the NIESR and the latest call from the Confederation of British Industry for an immediate cut in base-lending rates continued to encourage hopes that a reduction in UK interest charges is not too far away. Interest rate speculation failed to disturb sterling which held around \$1.99 throughout the session.

Business in leading industries was again thin and mainly directed towards the engineering sector where a number of important trading statements are expected next month. Foods and oils also improved.

Mirroring the continuing firm undertone in equities, the FT Ordinary share index was finally 6.0 higher at 988.2, having shown a 1.5 gain at 10 am.

Gifts were again quiet; conventional issues displayed improvements ranging to 4, but unlinked stocks were unsettled by the NIESR inflation forecast and retreated around 1.

Pearl disappoint

Pearl's interim profits fell well short of expectations and the price reacted to fall prior to closing a net 1/2 down at 511; the company reported sharply increased general engineering and overseas reinsurance losses, and has decided to dispose of Monarch Insurance Company of Ohio. The figures however, made little impact on other Life Insurance issues which traded quietly around overnight levels prior to closing a shade dearer on balance. Britannia edged up 3 to 780p despite announcing an interim dividend at the lower end of market estimates. Lloyd's Brokers attracted steady support and closed at the day's best. Higher than expected 7.5p at 350p Steel Barri Jones rose 14 to 354p; the results are due shortly.

Dealers continued to attract a fair measure of support and

advanced 6 for a two-day gain of 16 at 307p; dealers treated speculation of stake-building by GEC and Hanson Trust with a certain amount of scepticism.

Buildings displayed small irregular movements. A squeeze on bear positions lifted Barratt Developments 4 to 52p, after 94p, but comment on the disappointing interim trading statement prompted fresh offerings of Albion. McAlpine which shed 6 for a two-day fall of 26 to 238p. Blue Circle remained overshadowed by a broker's cautious circular and slipped more to 400p; the interim results are due next Thursday.

Chemicals remained selectively firm. ICI hardened a few pence to 659p, while Bantek gained 3 to 140p following comment on the half-year figures.

Stores subdued

The encouraging tone of the latest FT-CBI survey of the distribution sector failed to give noticeable impetus to leading retailers. With the exception of Habitat Moterears, another 2 to the good at 444p. Most stores were modestly up. W. H. Smith eased a couple of pence to 238p after revealing preliminary profits in line with market expectations. Secondary stores also had little to commend them. Profit-taking clipped 10 more from Owen Owen at 37p, but renewed demand in this market lifted Redf. Shop 15 to 780p. Moss Bros, on the other hand, dipped to 455p before settling 15 cheaper on balance at 470p following the Greater London Council's rejection of the planned redevelopment of the company's Covent Garden headquarters.

Electrical majors displayed modest gains to subdued trading. Flinders still hoping for favourable news regarding defence systems contracts, touched 154p before settling 2 dearer on balance at 152p. Baxal also put on a couple of pence, to 160p, while late support lifted Thera ENI 5 to 387p. Sound Diffusion, again the subject of a "call" option activity, edged up 2 to 205p, reflecting recovery prospects. Revised bid speculation lifted Logica 7 more to 187p, after 189p, while similar gains were seen for Telford, Bantek, Cable News, and Wholesale Fittings. 255p. Amstrad rallied 6 to 90p following the favourable reception afforded its new business concept. Greenwicks Cable News, a sharp fall on Tuesday after news of substantial reductions in staff and programme, staged a small recovery to finish 2 1/2 up at 144p.

Engineering were one of the market's best performers and displayed numerous firm features. Vespene resumed its recent upsurge and closed 25 higher at 210p still reflecting Government compensation hopes

FINANCIAL TIMES STOCK INDICES

	Aug. 21	Aug. 20	Aug. 19	Aug. 18	Aug. 17	Aug. 16	Year ago
Government Secs.	83.46	83.38	83.50	83.70	83.70	83.50	80.17
Fixed Interest	88.87	88.64	88.69	88.66	88.64	88.50	85.45
Ordinary	988.2	988.2	978.1	974.7	976.7	966.0	841.5
Gold Mines	332.8	332.3	317.4	308.3	330.8	329.9	270.2
Ord. Div. Yield	4.77	4.80	4.84	4.85	4.88	4.85	4.88
Earnings, Yld. (20/10)	11.76	11.81	11.88	11.99	11.86	11.85	11.49
P/E Ratio (20/10)	10.50	10.44	10.34	10.38	10.40	10.38	10.46
Total bargains (20/10)	21,969	21,958	20,494	20,141	20,111	20,647	17,888
Country turnover £m.	399.32	399.27	388.1	396.15	391.97	391.71	397.11
Equity bargains (20/10)	22,517	22,501	19,821	19,381	19,381	19,587	15,887
Shares traded (m)	300.7	300.7	277.8	267.8	267.8	267.8	267.8

10 am 983.5, 11 am 985.1, Noon 987.3, 1 pm 988.2, 2 pm 988.2, 3 pm 987.2, 4 pm 987.7.
Day's High 988.4, Day's Low 983.2.
Basis 100 Govt. Secs. 16/10/78, Fixed Int. 10/28, Ordinary 1/7/78.
Gold Mines 12/8/78, SE Activity 12/78.
Liquidity Index 01-24/78 12/78.
* Nil = 10.11.

HIGHS AND LOWS S.E. ACTIVITY INDICES

	1985	Since Completion	Daily	Aug. 20	Aug. 19
Govt. Secs.	83.47	70.09	49.33	187.8	197.1
Fixed Int.	88.74	82.17	60.55	148.9	118.4
Ordinary	987.4	287.0	697.1	944.5	944.5
Gold Mines	335.9	288.1	73.7	134.5	134.7
	(14/8)	(16/8)	(20/7/78)	(20/7/78)	(20/7/78)

and talk of an imminent bid. Delta Group added 8 at 51p and Simon Engineering put on 8 at 228p; both companies are due to report half-year figures during September. Vickers improved 7 to 288p and GKN edged up 3 to 230p while Forter Chabaud, in which GM Firth holds a near-50 per cent stake, added 10 more to 158p; the latter rose 3 1/2 to 52p. Telford reported 14 to 70p following the good interim figures and proposed one-for-five scrip issue.

Consumer spending optimism stimulated demand for Food issues and the sector displayed widespread gains. United Biscuits and Unigate both rose 6 to 181p and 180p respectively. Buyers came in for Banks. Morris McHugh, up 3 at 147p, while Bantek continued to reflect takeover speculation with a similar gain at 186p. Argyle moved up 6 to 328p and Deere Corporation 4 to a 388p peak of 27p. Elsewhere, while Bantek rose 10 to 230p in reply to the good interim results, Glass Glover shed 12 to 252p on thoughts that the recent poor weather could affect the company's profits.

British Aerospace were the prominent feature in mid-sector. The company's interim results attracted a lively two-way business from the outset and touched 581p before reacting late to close just 3 dearer on balance at 575p. The new party-paid shares also attracted considerable attention and settled 10 higher at 202p; the call on the party-paid shares is due on September 9, but the company is expected to reveal its interim results before that, on August 30. Elsewhere, BOC were a firm favourite, up 5 to 205p, and improved the same amount to 358p. Hawley moved 3 to 80p following better-than-expected half-year results, but Koca and the party-paid shares fell 3 to 52p on disappointment with the interim statement. USM-quoted Parkfield gained 11 to 136p on persistent speculative buying while late demand lifted paymaster Harvey and Thompson 8 to 120p.

Package holiday groups Horizon and Intasun displayed contrasting movements. The former encountered nervous offerings awaiting today's interim results and shed 6 to 111p, but the latter were supported on talk that the company had signed a new holiday season for 1986 and rose 11 to 138p.

The Monopolies Commission's clearance of United Newspapers' intended bid for Fleet Holdings, while not entirely unexpected, still stimulated a lively two-way

business in the latter. Up to 335p in immediate response to the announcement, Fleet thereafter eased steadily to 318p as United appeared to suggest that any offer would be pitched below the prevailing market price; speculative buyers re-entered at this level, however, encouraged by indications that Fleet will set up a separate defence to a takeover attempt and the close was 15 higher on balance at 341p. United, which currently holds just over 20 per cent of Fleet, eased 5 to 300p, after 299p.

Among Properties, Rush and Tompkins rose 6 to 238p on news that Border and Southern Stockholder Trust had increased its stake in the company to 10.94 per cent. Property Trust hardened 1 to 10p. Messrs Bantek and Arma Finance have acquired a 10 per cent stake for 10p per share from London Securities and have an option to acquire a further 19.9 per cent.

Selected Textiles made useful progress. The 100 rose 10p for a three-day advance of 45 to 413p reflecting hopes of a bid from a third party. Allied recently repelled an offer from London and Midland Industries.

Oils advance

Leading Oils took their cue from Wall Street and made good progress during the morning session. A brief flurry of profit-taking was easily absorbed around mid-day and quotations resumed their upward path thereafter. Shell were especially favoured by American operators and advanced steadily to close 12 to the good at 683p. BP, scheduled to report interim results a week today, was finally 8 dearer at 549p, while the party-paid shares of a few pence common to British, 210p, and Ultramar, 216p. The second-liners provided an outstanding feature in Berkeley Exploration which jumped 10 to 88p on mid-rumours. Cyle Petroleum, also the subject of takeover speculation, rose 5 to 88p.

Business in South African sectors of mining markets contracted to minimal levels as dealers became increasingly nervous over the possibility of an all-out strike by black miners employed by the Republic's gold and coal mines. The threatened strike, over pay and conditions, is scheduled to commence over the weekend and dealers were reluctant to accommodate any sizeable buying or selling orders. Matters were not helped by a further sharp decline in the Rand rate following rumours that a major policy speech by President Botha will be made on Friday.

Little interest was shown in the leading Golds which tended to mark time in the wake of another sedate performance by the bullion price.

One or two firm spots developed despite the strike threat. Driefontein attracted renewed buying interest from a number of Swiss operators and moved up

to 514 1/2 and Randfontein added a point at 559 1/2, but most showed minor movements in either direction. The Gold Mines index mirrored the overall uncertainty in the sector, edging up 0.5 to 323.5.

The lower Rand and further consideration of the interim results prompted renewed selling of De Beers which dipped 10 to 337p.

UK-domiciled Financials were persistently bought in the morning session before settling below the day's levels reflecting profit-taking. RIZ followed Tuesday's 18 gain with a further 10 improvement at 585p while Consolidated Gold Fields moved up 7 more to 442p, after 445p. Hampton Areas hardened a couple of pence to 132p.

Australians moved in a narrow range and generally showed minor falls across the board reflecting lack of interest after the negative Federal Budget announced on Tuesday.

Business in Traded Options continued to expand albeit in relatively subdued fashion. Total contracts done amounted to 8,543-5,664 calls and 4,878 puts. British Aerospace attracted a lively trade with 596 calls transacted; the interim figures are expected shortly.

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (64)	NEW LOWS (64)
British Aerospace (1)	British Aerospace (1)
Shell (1)	Shell (1)
BP (1)	BP (1)
Gold Mines (1)	Gold Mines (1)
Ordinary (1)	Ordinary (1)
Fixed Interest (1)	Fixed Interest (1)
Government Securities (1)	Government Securities (1)
Properties (1)	Properties (1)
Textiles (1)	Textiles (1)
Food (1)	Food (1)
Engineering (1)	Engineering (1)
Chemicals (1)	Chemicals (1)
Pharmaceuticals (1)	Pharmaceuticals (1)
Utilities (1)	Utilities (1)
Transport (1)	Transport (1)
Media (1)	Media (1)
Finance (1)	Finance (1)
Insurance (1)	Insurance (1)
Real Estate (1)	Real Estate (1)
Commodities (1)	Commodities (1)
Energy (1)	Energy (1)
Metals (1)	Metals (1)
Technology (1)	Technology (1)
Telecommunications (1)	Telecommunications (1)
Healthcare (1)	Healthcare (1)
Consumer Goods (1)	Consumer Goods (1)
Automotive (1)	Automotive (1)
Aviation (1)	Aviation (1)
Marine (1)	Marine (1)
Shipping (1)	Shipping (1)
Transportation (1)	Transportation (1)
Infrastructure (1)	Infrastructure (1)
Construction (1)	Construction (1)
Engineering (1)	Engineering (1)
Manufacturing (1)	Manufacturing (1)
Services (1)	Services (1)
Retail (1)	Retail (1)
Food (1)	Food (1)
Drugs (1)	Drugs (1)
Medical (1)	Medical (1)
Healthcare (1)	Healthcare (1)
Education (1)	Education (1)
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Engineering (1)	Engineering (1)
Manufacturing (1)	Manufacturing (1)
Services (1)	Services (1)

WORLD STOCK MARKETS

AUSTRIA	Aug. 21	Price	± or	GERMANY	Aug. 21	Price	± or	NORWAY	Aug. 21	Price	± or	AUSTRALIA (continued)	Aug. 21	Price	± or	JAPAN (continued)	Aug. 21	Price	± or	CANADA	Aug. 21	Price	± or			
Creditanstalt	388	+7		ASG-Tel.	151.1	-0.4		Bergens Bank	143	-0.5		Gen. Prop. Trust	2.95	+0.01		MHI	569	+8		3400	Casale R	340	335	335	-5	
Gesellschaft	308	+7		Allianz Ver.	137.5	+1.4		Christiania Bank	138.5	+0.8		Harold (James)	3.25	+0.01		Mitsui	487	+8		1452	Canon A	322	322	322	+1	
Industrialfond	1,740	+10		BASF	294.3	+1.9		Den Norske Cred	145	+0.5		Harpur Energy	2.25	+0.02		Mitsui	487	+8		800	Crowley	322	322	322	+1	
Landesbank	590	+10		Bayern	367	+0.8		Elektron	130	+1		Herald Wytima	4.82	+0.02		Mitsui	487	+8		72300	Czar Res	212	212	212	+12	
Parimodder	580	+10		Bayer-Hypo	367	+0.8		Kosmos	225	+1		ICI Aust	2.15	+0.01		Nippon Cement	1,290	+10		5027	Dawn Dev	212	212	212	+15	
Steiermark	177	+10		Bayer-Verein	368	+0.8		Kvaerner	170	+2.5		Imperial F.P.	0.95	+0.02		Nippon Denso	1,290	+10		300	Dawn A	430	430	430	+15	
Vatser Mag	555	+10		BSF-Bank	317.5	+1.0		Norsk Data	340	+5		Land Lease	0.98	+0.01		Nippon Denso	1,290	+10		12974	Dawn A	430	430	430	+15	
BELGIUM/LUXEMBOURG				BSI-Bank	430	+1.5		Storebrand	674	+1		Land Lease	0.98	+0.01		Nippon Denso	1,290	+10		3444	Dawn B	313	313	313	+1	
Aug. 21	Price	± or		BSI-Bank	430	+1.5		SPAIN				Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	2705	Dawn A	430	430	430	+15
B.B.L.	1,990	+20		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	3444	Dawn B	313	313	313	+1	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	5027	Dawn Dev	212	212	212	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	12974	Dawn A	430	430	430	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	3444	Dawn B	313	313	313	+1	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	5027	Dawn Dev	212	212	212	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	12974	Dawn A	430	430	430	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	3444	Dawn B	313	313	313	+1	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	5027	Dawn Dev	212	212	212	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	12974	Dawn A	430	430	430	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	3444	Dawn B	313	313	313	+1	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	5027	Dawn Dev	212	212	212	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	12974	Dawn A	430	430	430	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	3444	Dawn B	313	313	313	+1	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	5027	Dawn Dev	212	212	212	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	12974	Dawn A	430	430	430	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	3444	Dawn B	313	313	313	+1	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	5027	Dawn Dev	212	212	212	+15	
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Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	3444	Dawn B	313	313	313	+1	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	5027	Dawn Dev	212	212	212	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	12974	Dawn A	430	430	430	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	3444	Dawn B	313	313	313	+1	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	5027	Dawn Dev	212	212	212	+15	
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Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	12974	Dawn A	430	430	430	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	3444	Dawn B	313	313	313	+1	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	5027	Dawn Dev	212	212	212	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	12974	Dawn A	430	430	430	+15	
Banco Int. A. Lux	6,670	+50		BSI-Bank	430	+1.5		Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	Aug. 21	Price	± or	3444	Dawn B	313	313	313	+1	
Banco Int. A. Lux	6,670	+50		BSI-B																						

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Only in the Financial Times

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Openings for arbitrage provide spur

IN THE ABSENCE of further data on the progress of the economy, Wall Street extended its technical rally yesterday, spurred on by opportunities for arbitrage between the major stocks and futures contracts on market indices, writes Terry Byland in New York.

Genuine investment interest remained moderate, although the institutions picked up some lines of technology stocks.

At the close the Dow Jones industrial average was up 5.53 at 1,329.53.

At mid-session, the September contract on the Standard & Poor's 500 stock index was at a premium of two points to the index itself. Some investors pursued a policy favoured in recent weeks and bought major stock components of the index, while selling the futures contract.

Buying remained restricted to the market leaders, however, leaving the broader market languishing in the doldrums. Stocks lacked encouragement from the bond market, where prices shaded lower at mid-session despite a further easing in short-term rates.

The rally in the stock market indicates a technical rebound as the market approached support levels in the Dow 1,310 area. Wall Street believes that, despite this week's upgrading of GNP estimates by the Commerce Department,

the economy remains sluggish and that a cloud lies over prospects for corporate profits in the third quarter.

A gain in the Dow transformation average reflected a takeover-inspired jump in one of the index constituents. Transworld International bounded ahead 58% to \$42 1/2 after Nortek announced plans to pay \$40 a share for the stock.

Also back on the takeover scene was Pan Am, 5% up at \$8 1/2, and heading the most active list. Speculators hinted that Texas Air, with its bid for TWA apparently thwarted by Mr Carl Icahn, might turn its attention to Pan Am. TWA at \$22 1/2 eased 3/4, while Texas Air dipped 1/2 to 18 1/2.

Revolon, the other major takeover talking-point, was busy again, edging up 3/4 to 46 1/2, barely \$1 short of Pantry Pride's offer, which the Revlon board continues to scorn.

Blue chips, which were the focus for the arbitrage between stocks and futures contracts on the indices, showed small gains. IBM at \$128 1/2 added 3/4, General Motors 3/4 to 67 1/2 and General Electric 3/4 to 61 1/2.

Technology stocks, which led Monday's late upswing, continued to advance initially but soon ran out of steam. Digital Equipment, second to IBM data processing business, added 3/4 to \$102 1/2, while Data General at \$38 1/2 was \$1 up.

Elsewhere in the market, Hospital Corporation of America, a recent favourite with investors, fell 1 1/2 to \$45 1/2 after a brokerage house cut its earnings forecasts for the company. Interco, the shoe and clothing manufacturer, gave up 3/4 of a gain inspired by renewed speculation that a management buyout was in the offing to stand at \$70.

The slackness in the market left some individual stocks to benefit from scraps of corporate news. Cray Research at \$48 1/2 gained 1 1/2 after announcing a ma-

for contract with Du Pont Computer Sciences, which recently received a large order from the U.S. Government, was also strong, adding 1 1/2 to \$24 1/2.

In the credit market, a dip in federal funds to 7 1/2 per cent, followed by minor falls in other short-term and money market rates, inspired a firm opening in the bond market. But bonds soon lost support as the uncertainty over the outlook for rates reasserted itself.

While there was little sign of Federal Reserve intervention in the credit markets yesterday, this itself suggested that Wall Street had been correct in predicting that this week's meeting of the Fed's Open Market Committee would leave policies unchanged.

Mr Volcker's reminder, in a letter to the Senate, that he expects the economy to pick up in the second half of the year, strengthened the belief that the Fed will do nothing to stimulate the economy at this stage.

There is some nervousness ahead of this week's money supply announcement, which is likely to show that M1 remains above the Fed's monitoring ranges, but the market continued to suffer from a lack of retail demand rather than from selling pressure.

TOKYO

Hopes for lower rates continue

LARGE-CAPITAL stocks were traded actively in Tokyo yesterday, while some constructions, shippings and biotechnology-related issues fluctuated sharply, writes Shigeo Nishitani of Jiji Press.

The Nikkei-Dow market average added 70.76 to 12,704.81, regaining the 12,700 level for the first time in about a month. Volume improved from 522m to 526m shares.

Confident that the second-quarter U.S. gross national product (GNP) would be revised downward, many institutional investors had sought big-capital stocks on Tuesday on prospects for lower interest rates. As it turned out, the GNP figure was revised upward.

But investors continued to buy big-capital issues yesterday on the assumption that U.S. interest rates would decline in the long term and would result in a domestic interest rate cut.

Also spurred by expectations for higher defence spending, Mitsubishi Heavy Industries, a Y8 gainer the previous day, put on Y2 to reach another all-time high of Y362 and to head the most active list with 62.61m shares traded.

Nippon Steel, the second busiest with 42.23m shares, closed unchanged at Y178. Nippon Steel Works eased Y4 to Y272.

According to a major securities company, foreign buy orders in the morning included 10m shares for Nippon Steel and 4m shares for Mitsubishi Heavy Industries.

Shippings and other speculative issues moved erratically. Showa Line gained Y26 to Y236, Kawasaki Kisen Y2 to Y210 and Shinwa Kaiun Y42 to Y360, all appearing in the most active list. These issues were bought mainly for immediate capital gains.

Recent laggards among fiscal investment-related issues climbed. Mitsui Construction, third busiest with 30.15m shares changing hands, jumped Y32 to Y407, and Daiwa Construction Y47 to Y427. Leading budget-affected issues firmed, with Sato Kogyo rising Y16 to Y538.

Some biotechnology-related stocks moved up. Sapporo Breweries surged Y27 to Y542 and Kanebo Y5 to Y510. Blue chips remained lacklustre on a wide front. Minolta Camera added Y37 to Y932 and Sony Y30 to Y3,800.

The yield on the barometer 6.8 per cent government bond due in December 1994 declined from 6.225 to 6.210 per cent on a large-lot buy order by a big securities house in late trading.

HONG KONG

NERVOUSNESS over speculation that interest rates may rise sent prices sharply lower in Hong Kong, and the Hang Seng index fell 41.96 to 1,650.78, its biggest fall since June 11 when it reacted to the insolvency of Overseas Trust Bank.

Properties continued to decline with Cheung Kong 80 cents easier at HK\$18.50, Hongkong Land 25 cents at HK\$6.25 and Sun Hung Kai 50 cents at HK\$13.20.

Banks moved lower again on worries over interim results expected later this week. Hang Seng lost 75 cents to HK\$45.25, Hongkong Bank 10 cents to HK\$7.55 and Bank of East Asia 40 cents to HK\$22.80.

SINGAPORE

INTEREST was seen again in Singapore's selected speculative stock, but prices ended mixed after buying enthusiasm waned.

The Straits Times industrial index nudged 0.98 higher to 755.87, and turnover dropped to 10.2m from 11.9m on Tuesday.

Innovest, which announced plans to buy 57.3 per cent of Kentucky Fried Chicken's shares, added 2 cents to S\$1.33.

Rumours of financial difficulties at a Hong Kong bank soured the market. Most banks, however, were generally steady except DBS, 8 cents lower at S\$4.92 which is a new 1985 low.

EUROPE

Quick pace disturbs somnolence

THE PACE on the European bourses gathered momentum yesterday as another batch of corporate results injected life into an otherwise somnolent market.

Chemical stocks featured again while bond trading proved frenzied at times.

Zurich tackled new heights with ease after Tuesday's strong performance. The Swiss Bank industrial index gained 5.3 to a 1985 high of 470.7, while food and financial sub-indices extended the previous session's advance. The return of foreign buyers, enticed by further strong corporate results, was perhaps the single most important factor in the upturn.

Nestlé added Sfr 100 to Sfr 7,100, another new high for the year. Hoffmann-La Roche picked up Sfr 125 more to Sfr 9,575 as Sandoz firmed Sfr 50 to Sfr 8,750.

Financials saw a Sfr 4 gain to Sfr 481 for Swiss Bank, a Sfr 80 rally to Sfr 4,380 for Union Bank and a more modest Sfr 25 rise to Sfr 5,700 for Zurich Insurance. Swiss Re held steady at Sfr 13,200.

Schindler moved against the trend with a Sfr 20 setback to Sfr 900. Among the backbenchers, hotel to ice cream group Midweek added Sfr 100 to Sfr 5,325 after its dividend and rights issue.

Adia also managed to trade Sfr 100 higher to Sfr 3,700, and George Fischer returned near its high for the year with a Sfr 60 rise to Sfr 930. The bond market gained ground with investor interest concentrating on option bonds.

A partial retreat in Amsterdam near the close still left most shares higher on the day with financials benefiting from recent interest-rate cuts. ABN put on 50 cents to F 509 ex-rights, and Amey firmed F 2 to F 278 although NMB suffered on consideration of its lower-than-expected first-half results released on Tuesday. The bank shed F 1.50 to F 211 after touching F 209.

Secondary issues made good progress, with Gist-Brocades F 2 higher at F 219, Wessanen F 3 firmer at F 175 and Breda up F 5 at F 177.

International were mixed in sympathy with the weaker dollar. Royal Dutch rose F 1 to F 188, Unilever edged 50 cents lower to F 328.50 and Phillips lost 30 cents to F 46.50 despite its plans to produce and market more sophisticated single-chip microcontrollers in Europe.

Also managed to firm 30 cents to F 124.30.

Heavy demand for a limited supply of bonds pushed prices higher, with domestic institutions again being noticed in the market.

Select foreign buying surfaced in light Frankfurt trading as the Commerzbank index rose 2.6 to 1,418.3. A lack of follow-up orders eroded some of the gains, however.

Export-sensitive issues were again in favour, with electrical leader Siemens surging DM 10 ahead to DM 542, while BMW, recently very mixed, stole the show in the quality car sector with a DM 11 rally to DM 439. VW firmed a further DM 1.60 to DM 314.80 despite its huge recall.

Among the engineering stocks, Linde sparked with a DM 10 jump to DM 507.50 ex-rights, and Mannesmann settled DM 2 up at DM 192.50.

Chemicals, thick with results, were mixed. BASF firmed 90 pf to DM 224.50, and Hoechst eased DM 2 to DM 216.50. Bayer, due to report next week, picked up 80 pf to DM 223.

The stores sector continued to hold the concentration of both foreign and domestic buyers, with Karstadt leading the retailers yet again with a very impressive DM 7 jump to DM 258 after Tuesday's DM 6 rise. Kaufhof turned in a more modest DM 2.50 advance to DM 277.50 on the back of last week's interest rate cuts.

Deutsche Bank notched up a DM 8.50 gain to DM 559.50, and Munich Re scored a DM 30 rise to DM 1,740.

Barish sentiment in the bond market over interest-rate trends produced hectic buying that left most issues higher, but some with gains of up to 35 basis points.

The Bundesbank sold DM 28.9m of paper into the market after Tuesday's hefty DM 97.1m sales.

Milan came off the boil with profit-takers moving in. Montedison firmed a further L22 to L2,180 on persistent talk about a U.S. group building up a stake in the chemical group.

Insurers offered a double attraction, with RAS L1,700 higher at L103,800 and Assicurazioni Milano L1,730 lower at L20,200 after a temporary suspension of its quotation because its loss had exceeded 20 per cent.

Madrid, Paris and Brussels gained ground while Stockholm turned mixed amid more company results.

LONDON

APART from a minor pause around noon, top-quality issues gradually improved to close at the session's best levels.

The FT Ordinary share index gained 6.0 to 988.2 as investors apparently ignored the more bearish indications which pointed to stagnant growth in industrial output and rising unemployment.

Business in leading industrials was thin and mainly directed towards the engineering sector. Foods and oils also improved.

Gilt were again quiet. Conventional issues improved by about 3/4, but index-linked stocks retreated by about 1/4.

Chief price changes, Page 31; Details, Page 30; Share information service, Pages 28-29

AUSTRALIA

FEDERAL budget announcements on Tuesday had little impact in Sydney, and shares edged slightly higher in dull trading.

The All Ordinaries index added a mere 0.4 to 956.4, and the gold index eased 18.4 to 1,094.6 on profit-taking.

BHP was steady at A\$7.20 after the previous session's gain and strong demand. In other miners, Bougainville lost 4 cents to A\$1.88 in the wake of lower six-month profits, and CRA, which owns 54 per cent of the copper miner, shed 6 cents to A\$5.78.

SOUTH AFRICA

MOST issues recovered from a mixed opening in Johannesburg to end slightly firmer.

Concern over the proposed strike by black miners set for August 25 weighed heavily on the market initially, but interest picked up after the rand dropped sharply against the U.S. dollar.

Vaal Reefs added R4.50 to R184.50 despite news that an explosion at the mine had killed eight miners. Western Deep added R1 to R88.50, and Buffels gained the same amount to close at R74.

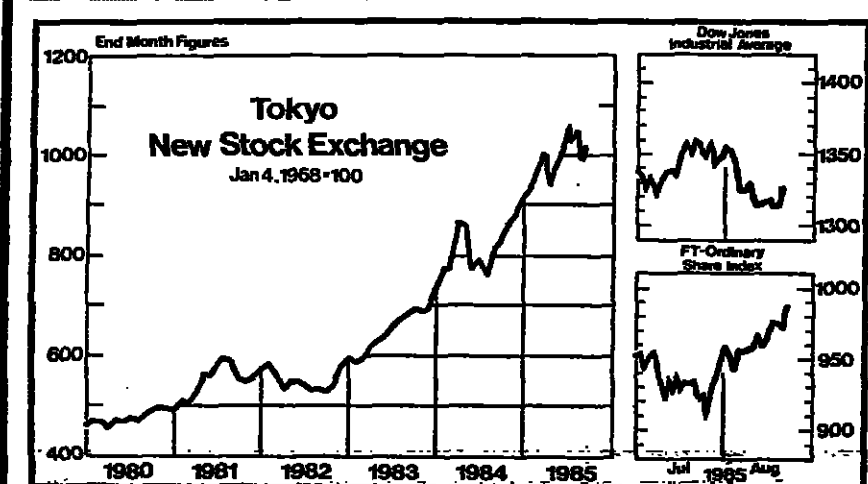
CANADA

GOLDS regained some of their lustre in Toronto, but most stocks showed little change.

Canada Trustco again topped the active list as three blocks of stock were crossed at C\$45 a share. Canada Trustco, up C\$4 to C\$45, urged shareholders to reject Genstar's bid. Genstar added C\$4 to C\$32.

Prices drifted lower across the board in Montreal.

KEY MARKET MONITORS



STOCK MARKET INDICES				
	Aug 21	Previous	Year ago	
NEW YORK				
DJ Industrials	1,329.53	1,323.70	1,226.73	
DJ Transport	696.04	679.54	626.95	
DJ Utilities	159.42	158.70	130.39	
S&P Composite	189.16	188.08	167.83	

LONDON				
	Aug 21	Previous	Year ago	
FT Ord	988.2	982.2	841.6	
FT-SE 100	1,313.9	1,307.1	1,082.4	
FT-A All-share	635.21	632.16	513.91	
FT-A 500	694.16	690.18	557.49	
FT Gold minis	322.8	322.3	570.2	
FT-A Long gilt	10.29	10.30	10.30	

TOKYO				
	Aug 21	Previous	Year ago	
Nikkei-Dow	12,704.81	12,634.05	10,486.0	
Tokyo SE	1,019.80	1,015.90	813.39	

AUSTRALIA				
	Aug 21	Previous	Year ago	
All Ord.	956.5	955.9	739.3	
Metals & Mins.	542.9	546.1	470.8	

AUSTRIA				
	Aug 21	Previous	Year ago	
Credit Anstalt	101.68	100.62	53.39	

BELGIUM				
	Aug 21	Previous	Year ago	
Belgian SE	2,330.92	2,331.88	-	

CANADA				
	Aug 21	Previous	Year ago	
Toronto				
Metals & Mins	2,080.0*	2,049.44	2,028.0	
Composite	2,763.5*	2,781.44	2,359.5	
Montreal				
Portfolio	135.42*	135.23	116.31	

DENMARK				
	Aug 21	Previous	Year ago	
SE	n/a	216.86	192.66	

FRANCE				
	Aug 21	Previous	Year ago	
CAC Gen	217.2	215.8	163.4	
Ind. Tendence	123.8	122.8	87.4	

WEST GERMANY				
	Aug 21	Previous	Year ago	
FAZ-Aktien	481.09	479.71	341.05	
Commerzbank	1,416.5	1,413.9	992.4	

HONG KONG				
	Aug 21	Previous	Year ago	
Hang Seng	1,650.78	1,682.74	907.49	

ITALY				
	Aug 21	Previous	Year ago	
Banca Com.	364.99	366.28	216.94	

NETHERLANDS				
	Aug 21	Previous	Year ago	
ANP-CBS Gen	217.5	216.1	162.6	
ANP-CBS Ind	192.9	190.5	129.6	

NORWAY				
	Aug 21	Previous	Year ago	
Oslo SE	n/a	356.42	259.56	

SINGAPORE				
	Aug 21	Previous	Year ago	
Straits Times	755.87	754.88	939.16	

SOUTH AFRICA				
	Aug 21	Previous	Year ago	
JSE Golds	-	979.9	954.1	
JSE Industrials	-	841.9	626.4	

SPAIN				
	Aug 21	Previous	Year ago	
Madrid SE	111.92	111.79	99.46	

SWEDEN				
	Aug 21	Previous	Year ago	
J & P	1,317.45	1,312.21	1,526.15	

SWITZERLAND				
	Aug 21	Previous	Year ago	
Swiss Bank Ind	470.7	465.4	380.3	

WORLD				
	Aug 21	Previous	Year ago	
Capital Int'l	218.8	218.2	163.3	

GOLD (per ounce)				
	Aug 21	Previous	Year ago	
London	\$335.25	\$334.75	-	
Zurich	\$336.05	\$334.60	-	
Paris (fixing)	\$326.72	\$336.23	-	
Luxembourg	\$336.25	\$336.10	-	
New York (Oct)	\$341.80	\$338.80	-	

* Latest available figure

CURRENCIES				
	Aug 21	Previous	Aug 21	Previous
U.S. DOLLAR				
(London)				
\$	2.7655	2.7775	1.393	1.3985
DM	236.55	237.3	325.5	329.75
Yen	8.4475	8.485	117.3	117.8
Sfr	2.2655	2.2785	3.155	3.165
Guilder	3.124	3.129	4.32	4.3475
Lira	1,861.0	1,358.5	2,579.0	2,581.5
BP	56.25	56.25	77.9	78.15
CS	1.3555	1.3565	1.8831	1.8832

INTEREST RATES				
	Aug 21	Previous	Aug 21	Previous
Euro-currencies				
(3-month offered rate)				
\$	11 1/2	11 1/2		
Sfr	4 1/2	4 1/2		
DM	4 1/2	4 1/2		
FF	11 1/2	11 1/2		

Euro-currencies (3-month offered rate)	Aug 21	Prev
£	11½	11½
Sfr	6½	6½